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OXFORDSHIRE
COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 6 September 2013 at 10.10 am

County Hall, New Road, Oxford

Peter G. Clark
County Solicitor

August 2013

Contact Officer: ***Julie Dean***
Tel: (01865) 815322; E-Mail: julie.dean@oxfordshire.gov.uk

Membership

Chairman – Councillor Stewart Lilly
Deputy Chairman - Councillor Patrick Greene

Councillors

Surinder Dhesi
Jean Fooks
Mark Gray
Nick Hards
Richard Langridge
Sandy Lovatt
Neil Owen

Co-optees

District Councillor Hywel Davies
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 6 December 2013***
- ***Karen Thrumble from the WM Company will give a training session on 'Understanding Benchmarks, Performance Targets and Risk' prior to the meeting, starting at 9.30 am in the meeting room itself.***

Declarations of Interest

The duty to declare…..
Under the Localism Act 2011 it is a criminal offence to
(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
(b) provide false or misleading information on registration, or
(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?
The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.
The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *"You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself"* or *"You must not place yourself in situations where your honesty and integrity may be questioned…..".*

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:
Employment (includes"*any employment, office, trade, profession or vocation carried on for profit or gain*".), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/ or contact Rachel Dunn on (01865) 815279 or Rachel.dunn@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. **Minutes** (Pages 1 - 10)

To approve the note of the informal meeting held on 14 June 2013 and the Minutes of the meeting held on 9 July 2013 **(PF3)** and to receive information arising from them.

4. Petitions and Public Address

5. **Overview of Past and Current Investment Position** (Pages 11 - 36)

10:15

Tables 1 to 10 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund’s position as at 30 June 2013 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 June 2013
Tables 2 to 9	provide details of the individual manager’s asset allocations and compare these against their benchmark allocations
Table 10	shows net investments/disinvestments during the quarter
Tables 11 to 12	provide details on the Pension Fund’s Private Equity
Tables 13 to 24	provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 30 June 2013

In addition to the above tables, the performance of the Fund Managers over the past 18 months has been produced graphically as follows:

Graph 1 – Value of Assets
Graph 2 – 3 – Baillie Gifford
Graph 4 - Wellington
Graph 5 - 6 – Legal & General
Graphs 7 - 10 – UBS

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 11,12 and13 on the agenda.

6. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12 and 13 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

NOTE: In the case of item13, there is no report circulated with the Agenda. Any exempt information will be reported orally.

7. **Exempt Minutes** (Pages 37 - 40)

10:20

To approve the exempt minutes of the informal meeting held on 14 June 2013 and of the meeting held on 9 July 2013 (**PF7)** and to receive information arising from them.

8. Presentation by the WM Company on the Funds Investment Performance

10.25

Karen Thrumble (WM) will review the Fund’s performance for the 2012/13 year, including comparison to benchmark data from the WM Local Authority Pension Fund Universe.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

Members will be invited to question and comment.

9. Overview and Outlook for Investment Markets (Pages 41 - 48)

11:05

Report of the Independent Financial Adviser (**PF9**).

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors. It also provides the context for consideration of the reports from the Fund Managers. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser’s conclusions in mind when considering the Fund Managers’ reports.

10. Wellington

11:20

(1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 5 and 9.

(2) The representatives (Nicola Staunton and Ian Link) of the Fund Manager will:

(a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2013;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2013.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

11. Baillie Gifford

12:00

(1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 5 and 9.

(2) The representatives (Anthony Dickson and Ian McCombie) of the Fund Manager will:

(a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2013;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2013.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

12. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 49 - 54)

12:40

Attached at **PF12** is the report of the Independent Financial Adviser on the main issues arising from the officer meetings with UBS Global Asset Management and Legal & General Investment Management. These reports should be read in conjunction with information contained in the tables (Agenda Item 5).

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to note the main issues arising from the reports contained in PF12 and to take any necessary action, if required.

13. Summary by the Independent Financial Adviser

12:45

The Independent Financial Adviser will, if necessary, summarise the foregoing reports of the Fund Managers and answer any questions from members.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered *that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

14. **Securities Lending** (Pages 55 - 68)

12:50

This report **(PF14**) seeks the Committee's agreement to a revised securities lending policy following the change of Custodian arrangements.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Committee is RECOMMENDED to:-

(a) delegate to officers responsibility for reviewing and approving the securities lending approved counterparty list;

(b) agree any changes required to the securities lending collateral policy; and

(c) restrict the value of securities on loan to 25% of the total fund

(d) agree the continued use of discretionary lending for UK and overseas securities.

LUNCH

13:00

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

15. **Draft Annual Report and Accounts 2012/13** (Pages 69 - 136)

14:00

The draft Annual Report and Accounts for 2012/13 is before the Committee at **PF15** for comment and amendment. The finalised report will be submitted to the Committee's December meeting for adoption.

Mary Fetigan, representing Ernst & Young, the Fund's external auditors will attend to present any key findings of their audit and answer questions from the Committee.

The Committee is RECOMMENDED to receive the draft report and accounts for 2012/13.

16. Pension Investment and Administration Outturn Report 2 - year ended 31 March 2013 (Pages 137 - 140)

The report (**PF16**) covers the income and expenditure of the Pension Investment and Administration Teams during 2012/13 and explains key variations from the agreed budget.

The Committee is RECOMMENDED to receive the report PF16 and to note the outturn position.

17. Pension Administration - Service Performance (Pages 141 - 144)

14:30

The report **PF17** provides details of the annual review of the performance of the Pensions Administration Team highlighting key performance indicators.

The Committee is RECOMMENDED to note the report PF17.

18. Annual Review of Scheme Policies (Pages 145 - 190)

14:40

The report **(PF18)** provides an opportunity for the Committee to undertake a formal review of its major policy documents, held in line with the LGPS Regulations. The last such comprehensive review of policies was in June 2012, and the report provides an update of any key changes since that date.

The Committee is RECOMMENDED to approve the revised policy documents as set out in Annexes 1-6 to this report, noting the main changes in the documents as discussed above.

19. Employer Issues (Pages 191 - 198)

14:50

The attached reports **(PF19)** seek Committee approval for any new admissions to the Fund, as well as update the Committee on the status of any current employer which impacts on future Scheme membership. There are two reports for this item as one contains exempt information and therefore has to be considered in exempt session.

(a) This report (**PF19**) updates the Committee on a previous application for admission to the Fund, and details a current case regarding the closure of a scheme employer's admission agreement.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The Committee is RECOMMENDED to

a) note the progress made on the application; and
b) authorise the officers to continue to seek recovery of these monies on an agreed recovery period.

(b) This report (**PF19)** updates members on recent employer issues including applications for admission and the closures of scheme employers.

The Committee is RECOMMENDED to:

a) note the progress of previously approved applications for admitted body status;
b) approve the application for admitted body status by Adviza;
c) delegate the approval of new admission bodies detailed above to the Service Manager (Pensions) following consultation with the Chairman of this Committee; and
d) note the cessation of scheme employers as detailed in the report.

20. LGPS - Regulation Update (Pages 199 - 220)

15:00

The report (**PF20)** updates members on the recent consultation exercises on the New Look LGPS 2014, and on future Governance Arrangements. It also seeks Committee approval to the response to the recent Call for Evidence on the future arrangements for the LGPS.

The following papers are annexed to the report PF20:

Annex 1 and Annex 2 – copies of consultation responses made by this Committee
Annex 3 – draft consultation response for consideration by this Committee.

The Committee is RECOMMENDED to note the consultation responses included at Annexes 1 and 2, and agree any changes to the draft consultation response at Annex 3 for submission to the Department for Communities and Local Government.

21. Scheme Management in Oxfordshire

15:20

Officers will provide an oral update on the on-going discussions in respect of the future management of the Oxfordshire Fund, as agreed at the 14 June 2013 meeting.

The Committee is RECOMMENDED to note the report.

22. Write Off's (Pages 221 - 222)

15:30

The report **(PF22)** will provide the Committee with summary details of the amounts written off in the last quarter in accordance with Financial Regulations of the Fund.

The Committee is RECOMMENDED to note the report.

23. Annual Pension Forum

15:35

To remind Members of the Committee that the Annual Pension Forum will take place on **Friday 13 December 2013 at 10:00 am.**

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Wednesday 4 September 2013** at **2.00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 14 June 2013 commencing at 10.10 am and finishing at 13:30 pm

Present:

Voting Members:	Councillor Stewart Lilly Councillor Surinder Dhesi Councillor Jean Fooks Councillor Nick Hards Councillor Neil Owen Councillor Patrick Greene
Other Members attending	Councillor Sandy Lovatt- Observing Councillor Richard Langridge - Observing
District Council Representatives:	District Councillor Jerry Patterson District Councillor Hywel Davies
By Invitation:	P. Davies (Independent Financial Adviser)
Officers:	
Whole of meeting	S. Collins and S. Fox (Environment & Economy); D. Ross and J. Dean (Chief Executive's Office)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with a schedule of addenda tabled at the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and schedule, copies of which are attached to the signed Minutes.

21/13 ELECTION OF CHAIRMAN AND DEPUTY CHAIRMAN FOR THE DURATION OF THE MEETING

(Agenda No. 1)

Councillor Stewart Lilly was elected Chairman and Councillor Patrick Greene was elected Deputy Chairman for the duration of the meeting.

22/13 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 2)

There were no apologies for absence or temporary appointments. Paul Gerrish, Beneficiaries Observer submitted his apologies.

23/13 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 3)

Councillors Fooks, Lilly, Owen and Patterson each declared personal Interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

Councillors Hards declared a pecuniary interest in Agenda Item 17 on account of his spouse being Chair of the Trustees of the South and Vale Citizen's Advice Bureau. He did not participate in any discussion on the matter and withdrew from the meeting for the duration of the item.

Councillor Dhesi declared a pecuniary interest in Agenda Item 17 on account of her position as a Trustee of Banbury Citizens Advice Bureau. She did not participate in any discussion on the matter and withdrew from the meeting for the duration of the item.

24/13 MINUTES

(Agenda No. 4)

The Minutes of the last meeting were approved and signed as a correct record subject to the omission of the £ sign before '20m euros' in paragraph 1 of Minute 11/13.

25/13 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 5)

There were no petitions submitted or requests to address the meeting.

26/13 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 6)

Mr Davies reported that the first quarter of 2013 had been unprecedented in that it had seen an asset appreciation of £133m. This was made up of £48m in UK equities, £59 m in overseas equities, £17m in private equities, £8m in bonds and £1m in Hedge Funds.

RESOLVED: to receive the tables and graphs; and that the information contained in them be borne in mind insofar as they related to items 9,10 and 11 on the agenda.

27/13 EXEMPT ITEMS

(Agenda No. 7)

RESOLVED: that the public be excluded for the duration of items 7,8, 9,10,11,12, 13 and 14 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

28/13 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The Committee considered a report of the Independent Financial Adviser (PF8) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Adviser responded.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: To receive the report, tables and graphs and the oral report of the Independent Financial Adviser and to bear his conclusions in mind when considering the Fund Manager's reports.

29/13 UBS

(Agenda No. 9)

The representatives, Mr M. Gordon and Mr. N. Irish reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 March 2013.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the main issues arising from the report.

30/13 LEGAL & GENERAL
(Agenda No. 10)

The representatives, Mr J. Cloke and Mr. N. Hodges reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 March 2013.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the main issues arising from the report.

31/13 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING
(Agenda No. 11)

The Committee considered two notes of meetings which took place since the last meeting (PF11) with representatives from Baillie Gifford and Wellington.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the reports.

32/13 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER
(Agenda No. 12)

The Independent Financial Adviser reported that no summary was required.

33/13 FUTURE MANAGEMENT OF THE LGPS
(Agenda No. 13)

The Committee considered the exempt report and **AGREED** to offer their comments to Cabinet on 16 July 2013.

34/13 CUSTODIAN PROCUREMENT
(Agenda No. 14)

The Committee had before them a report (PF14) which gave the results of the recent tender exercise for the appointment of a new global custodian.

The public were excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee **AGREED** to note the report.

35/13 THE NEW LOOK LGPS (2014) UPDATE
(Agenda No. 15)

The Committee had before them a report (PF15) which gave an update on progress towards implementing the New Look LGPS from April 2014. The report also included information on the recent consultation on Councillor membership of the LGPS.

The Committee confirmed the importance of the right to membership of the LGPS for Councillors, particularly enabling them to afford to offer the time required to fully undertake their responsibilities; and asked that the Council included such comments in its final response.

The Committee **AGREED** to note the report and asked that their comments be passed on for inclusion in the Council's response on the consultation on Councillor membership of the LGPS.

36/13 REVIEW OF PENSION FUND POLICIES
(Agenda No. 16)

The Committee undertook a formal review of the major Pension Fund policies, in line with the LGPS Regulations. The last such comprehensive review of policies took place in June 2012. The report (PF16) provided an update on the key changes since that date.

The Committee **AGREED** (subject to endorsement at the next meeting on 6 September 2013) the revised policy documents as set out in Annexes 1 – 6 of the report, noting the main changes.

37/13 OXFORDSHIRE COUNTY COUNCIL PENSION FUND - EMPLOYER UPDATE

(Agenda No. 17)

The Committee considered a report **(PF17)** which sought approval for applications for new admissions to the Fund. The report also updated members on the status of any current employer that impacted on future Scheme membership admitted body status

The Committee **AGREED** the following (for endorsement at the 6 September 2013 meeting): to

(a) note the progress of previously approved applications for admitted body status - noting also that Pabulum had withdrawn from theirs;

(b) approve the application for admitted body status by Oxfordshire South and Vale Citizen's Advice Bureau; and

(c) note the cessation of scheme employers.

38/13 WRITE OFFS

(Agenda No. 18)

The Committee had before them a report (PF18) which provided summary details of the amounts written off in the last quarter, in accordance with the Financial Regulations of the Fund.

RESOLVED: to note the report.

.... in the Chair

Date of signing ....

PENSION FUND COMMITTEE

MINUTES of the meeting held on Tuesday, 9 July 2013 commencing at 4.30 pm and finishing at 5.15 pm

Present:

Voting Members:

Councillor Stewart Lilly
Councillor Patrick Greene
Councillor Surinder Dhesi
Councillor Mark Gray
Councillor Nick Hards
Councillor Neil Owen
Councillor Zoé Patrick (In place of Councillor Jean Fooks)
Councillor Rodney Rose (In place of Councillor Richard Langridge)
Councillor Sandy Lovatt

District Council Representatives:	District Councillor Jerry Patterson District Councillor Hywel Davies

Officers:

Whole of meeting	S. Fox (Environment & Economy); J. Dean (Chief Executive's Office)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports , copies of which are attached to the signed Minutes.

39/13 ELECTION OF CHAIRMAN FOR THE REMAINDER OF THE COUNCIL YEAR 2013/14

(Agenda No. 1)

Councillor Stewart Lilly was elected Chairman for the remainder if the 2013/14 Council year.

40/13 ELECTION OF DEPUTY CHAIRMAN FOR THE REMAINDER OF THE COUNCIL YEAR 2013/14

(Agenda No. 2)

Councillor Patrick Greene was elected Deputy Chairman for the remainder of the 2013/14 Council year.

41/13 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 3)

Councillor Rodney Rose attended for Councillor Richard Langridge.
Councillor Zoe Patrick attended for Councillor Jean Fooks.

42/13 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 4)

Councillors Lilly, Owen, Rose and Patterson each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

Councillor Hards declared a pecuniary interest in Agenda Item 6 (application for admitted body status by Oxfordshire South & Vale Citizen's Advice Bureau) on account of his spouse being Chair of the Trustees of the South and Vale Citizen's Advice Bureau. He did not participate in any discussion on the matter and withdrew from the meeting for the duration of the item. Councillor Jerry Patterson and Sandy Lovatt declared a personal interest in Agenda Item 6 (application from Capita to extend the admission agreement) on account of their being Members of the Vale of White Horse District Council.

43/13 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 5)

There were no requests to address the Committee or to submit a petition.

44/13 OXFORDSHIRE COUNTY COUNCIL PENSION FUND - EMPLOYER UPDATE
(Agenda No. 6)

The Committee's approval was sought in relation to an application for admitted body status by Oxfordshire South & Vale Citizen's Advice Bureau and also in relation to an extension of admission agreement with Capita (Vale) (PF6).

RESOLVED: to

(a) approve the application for admitted body status by Oxfordshire South & Vale Citizen's Advice Bureau; and
(b) approve the extension of the admission agreement with Capita (Vale).

45/13 EXEMPT ITEM
(Agenda No. 7)

RESOLVED: that the public be excluded for the duration of item 8 in the Agenda since it was likely that if they were present during that item there would be disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the item in the Agenda and since it was considered that, in the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

46/13 OXFORDSHIRE COUNTY COUNCIL PENSION FUND - EMPLOYER UPDATE
(Agenda No. 8)

RESOLVED: as set down in the exempt Minute.

.... in the Chair

Date of signing ....

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TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th JUNE 2013

	COMBINED PORTFOLIO 1.04.13	Baillie Gifford UK Equities		Wellington Global Equities		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Overseas Equities and Property		Other Investments		COMBINED PORTFOLIO 30.06.13		
Investment	**Value £' 000**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**OCC Customised Benchmark**
EQUITIES																
UK Equities	**461,312**	**291,190**	**97.1%**	**18,937**	**10.3%**	**148,030**	**53.5%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**458,157**	**30.7%**	**31.0%**
North American Equities	91,275	0	0.0%	94,811	51.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	94,811	6.4%	
European & Middle Eastern Equities	30,329	0	0.0%	23,873	13.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	23,873	1.6%	
Japanese Equities	14,503	0	0.0%	16,890	9.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	16,890	1.1%	
Pacific Basin Equities	4,552	0	0.0%	2,928	1.6%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2,928	0.2%	
Emerging Markets Equities	42,247	0	0.0%	22,600	12.3%	0	0.0%	0	0.0%	18,717	6.5%	0	0.0%	41,317	2.8%	
UBS Global Pooled Fund	189,086	0	0.0%	0	0.0%	0	0.0%	0	0.0%	188,179	65.5%	0	0.0%	188,179	12.6%	
L&G World (ex UK) Equity Fund	128,102	0	0.0%	0	0.0%	128,765	46.5%	0	0.0%	0	0.0%	0	0.0%	128,765	8.6%	
Total Overseas Equities	**500,094**	**0**	**0.0%**	**161,102**	**87.8%**	**128,765**	**46.5%**	**0**	**0.0%**	**206,896**	**72.0%**	**0**	**0.0%**	**496,763**	**33.3%**	**32.0%**
BONDS																
UK Gilts	33,327	0	0.0%	0	0.0%	0	**0.0%**	27,374	11.9%	0	0.0%	0	0.0%	27,374	1.9%	3.0%
Corporate Bonds	92,649	0	0.0%	0	0.0%	0	**0.0%**	86,548	37.4%	0	0.0%	0	0.0%	86,548	5.8%	6.0%
Overseas Bonds	28,731	0	0.0%	0	0.0%	0	**0.0%**	38,446	16.6%	0	0.0%	0	0.0%	38,446	2.6%	2.0%
Index-Linked	77,417	0	0.0%	0	0.0%	0	**0.0%**	74,492	32.2%	0	0.0%	0	0.0%	74,492	5.0%	5.0%
Total Bonds	**232,124**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**226,860**	**98.1%**	**0**	**0.0%**	**0**	**0.0%**	**226,860**	**15.3%**	**16.0%**
ALTERNATIVE INVESTMENTS																
Property	86,589	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	74,380	25.9%	11,732	5.5%	86,112	5.8%	8.0%
Private Equity	139,939	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	139,103	65.4%	139,103	9.3%	10.0%
Hedge Funds	32,842	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	33,315	15.7%	33,315	2.2%	3.0%
Total Alternative Investments	**259,370**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**74,380**	**25.9%**	**184,150**	**86.6%**	**258,530**	**17.3%**	**21.0%**
CASH	**50,075**	**8,593**	**2.9%**	**3,483**	**1.9%**	**0**	**0.0%**	**4,424**	**1.9%**	**6,158**	**2.1%**	**28,424**	**13.4%**	**51,082**	**3.4%**	**0.0%**
TOTAL ASSETS	**1,502,975**	**299,783**	**100.0%**	**183,522**	**100.0%**	**276,795**	**100.0%**	**231,284**	**100.0%**	**287,434**	**100.0%**	**212,574**	**100.0%**	**1,491,392**	**100.0%**	**100.0%**
% of total Fund		20.10%		12.31%		18.56%		15.51%		19.27%		14.25%		100%		

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 2

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2013 — **ALTERNATIVE ASSETS**

PRIVATE EQUITY AND HEDGE FUNDS					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Private Equity	6-11	10.0%	9.3%	-0.7%	FTSE Smaller Companies (inc investment trusts)
Hedge Funds	2-4	3.0%	2.2%	-0.8%	3 month LIBOR + 3%
Total		**13.0%**	**11.5%**	-1.5%	

Target Objective for Private Equity - To seek to outperform the Benchmark by 1% over rolling 3 year periods.

Target Objective for Hedge Funds - To seek to outperform the 3 month LIBOR + 3% over rolling 3 year periods

Market Value - at 30th June 2013 £139,103,000 Private Equity
£33,315,000 Hedge Funds

TABLE 3

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2013 — **BAILLIE GIFFORD**

UK EQUITIES					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Equities	N/A	100.0%	97.1%	-2.9%	FTSE Actuaries All-Share
Cash	Nil	0.0%	2.9%	+2.9%	
Total		**100.0%**	**100.0%**		

Target Objective - To seek to outperform the Benchmark by 1.25% per annum over rolling 3 year periods (gross of management fees).

Market Value - at 30th June 2013 £299,783,000

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2013

LEGAL and GENERAL

UK EQUITIES - PASSIVE					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Equities	N/A	100.0%	100.0%	+0.0%	FTSE 100
Cash	Nil	0.0%	0.0%	+0.0%	
Total		**100.0%**	**100.0%**		

Target Objective - To track the FTSE 100 Index

Market Value - at 30th June 2013 £148,030,000

TABLE 5

FIXED INCOME					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Gilts	0 - 36	18.75%	11.9%	-6.9%	FTSE A All Gilts Stocks
Corporate Bonds	20 - 55	37.50%	37.4%	-0.1%	IBoxx Sterling Non-Gilt All Stocks Index
Index-Linked	15 - 46	31.25%	32.2%	+1.0%	FTSE A Over 5 Year Index-linked Gilts
Overseas Bonds	0 - 24	12.50%	16.6%	+4.1%	JP Morgan Global Gov't (ex UK) Traded Bond
Cash	0 - 10	0.00%	1.9%	+1.9%	
Total		**100.0%**	**100.0%**		

Target Objective - To outperform the Benchmark by 0.6% per annum over rolling 3 year periods (gross of management fees)

Market Value - at 30th June 2013 £231,284,000

TABLE 6

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2013 — **LEGAL and GENERAL**

WORLD (EX-UK) EQUITY INDEX - PASSIVE					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Global (ex-UK) Equities	N/A	100.0%	100.0%	+0.0%	FTSE AW-World (ex-UK) Index
Cash	Nil	0.0%	0.0%	+0.0%	
Total		**100.0%**	**100.0%**		

Target Objective - To track the FTSE AW-World (ex-UK) Index

Market Value - at 30th June 2013 £128,765,000

TABLE 7

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2013 — **WELLINGTON**

GLOBAL EQUITIES					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Global Equities	N/A	100.0%	98.1%	-1.9%	MSCI All Countries World Index
Cash	Nil	0.0%	1.9%	+1.9%	
Total		**100.0%**	**100.0%**		

Target Objective - To seek to outperform the Benchmark by 2.0% per annum over rolling 3 year periods (net of management fees).

Market Value - at 30th June 2013 £183,522,000

TABLE 8

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2013

UBS GLOBAL ASSET MANAGEMENT

OVERSEAS EQUITY PORTFOLIO

Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
Overseas Equities					
Comprising					
Global Pooled Fund	85 - 100	90.0%	91.0%	+1.0%	See Split below *
Emerging Markets	0 - 10	10.0%	9.0%	-1.0%	FTSE AW Emerging Markets
Cash	0 - 10	**0.0%**	0.0%		
Total		**100.0%**	**100.0%**		

*** Global Pooled Fund Split:-**					
North America		30.0%			FTSE North American Developed
Europe (ex UK)		30.0%			FTSE Europe (ex UK) Developed
Asia Pacific (inc. Japan)		30.0%			FTSE Asia-Pacific (inc Japan) Developed
Total Global Pooled		**90.0%**	**91.0%**	+1.0%	

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

Market Value - at 30th June 2013 £206,896,000

TABLE 9

PROPERTY PORTFOLIO

Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
Property	90 - 100	100.0%	92.4%	-7.6%	IPD UK All Balanced Funds Index Weighted Average
Cash	0 - 10	0.0%	7.6%	+7.6%	
Total		**100.0%**	**100.0%**		

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (net of costs and fees).

Market Value - at 30th June 2013 £80,538,000

TABLE 10

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOTAL PORTFOLIO PROGRESS REPORT - 1 APRIL 2013 to 30 JUNE 2013

Asset	Market Value 1.04.13	%	Net Purchases and Sales					Changes in Market Value					Market Value 30.06.13	%
			UBS	Baillie Gifford	Legal & General	Wellington	Other	UBS	Baillie Gifford	Legal & General	Wellington	Other		
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
EQUITIES														
UK Equities	461,312	31	0	2,721	0	5,089	0	0	(7,387)	(3,028)	(550)	0	458,157	31
US Equities	91,275	6	0	0	0	1,029	0	0	0	0	2,507	0	94,811	6
European & Middle Eastern Equities	30,329	2	0	0	0	(5,315)	0	0	0	0	(1,141)	0	23,873	2
Japanese Equities	14,503	1	0	0	0	1,483	0	0	0	0	904	0	16,890	1
Pacific Basin Equities	4,552	0	0	0	0	(1,227)	0	0	0	0	(397)	0	2,928	0
Emerging Market Equities	42,247	3	2,100	0	0	(785)	0	(1,633)	0	0	(612)	0	41,317	3
Global Pooled Funds	317,188	21	(2,100)	0	0		0	1,193	0	663	0	0	316,944	21
Total Overseas Equities	500,094	33	0	0	0	(4,815)	0	(440)	0	663	1,261	0	496,763	33
BONDS														
UK Gilts	33,327	2	0	0	(4,194)		0	0	0	(1,759)	0	0	27,374	2
Corporate Bonds	92,649	6	0	0	(3,100)		0	0	0	(3,001)	0	0	86,548	6
Overseas Bonds	28,731	2	0	0	10,605		0	0	0	(890)	0	0	38,446	3
Index-Linked Bonds	77,417	5	0	0	3,676		0	0	0	(6,601)	0	0	74,492	5
ALTERNATIVE INVESTMENTS														
Property	86,589	6	(5,129)	0	0		3,179	1,124	0	0	0	349	86,112	6
Private Equity	139,939	9	0	0	0		(543)	0	0	0	0	(293)	139,103	9
Hedge Funds	32,842	3	0	0	0			0	0	0	0	473	33,315	2
SUB TOTAL	1,452,900	97	(5,129)	2,721	6,987	274	2,636	684	(7,387)	(14,616)	711	529	1,440,310	97
CASH *	50,075	3	5,598	(362)	(5,616)	1,724	(337)	0	0	0	0	0	51,082	3
GRAND TOTAL	**1,502,975**	**100**	**469**	**2,359**	**1,371**	**1,998**	**2,299**	**684**	**(7,387)**	**(14,616)**	**711**	**529**	**1,491,392**	**100**

* Movement in cash is not confined to investment transactions but also includes dividend income and the payment of fees. Further details of cash movements can be found in the Managers' individual valuations.

TABLE 11

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

VALUATION OF OTHER INVESTMENTS AS AT 30th JUNE 2013

	HOLDING	COST £	AVERAGE COST £	MARKET PRICE £	MARKET VALUE £	UNREALISED GAIN/LOSS £
PRIVATE EQUITY						
Managed by Mr P Davies, IFA						
Quoted Investment Trusts						
3I Group	1,624,713	4,576,986	2.817	3.375000	5,483,406	906,420
Candover Investments	236,060	1,687,945	7.150	3.897500	920,044	(767,901)
Electra Private Equity	1,016,179	13,886,422	13.665	22.140000	22,498,203	8,611,781
F&C Private Equity Trust	4,160,000	7,339,178	1.764	2.027500	8,434,400	1,095,222
Graphite Enterprise Trust	852,512	2,420,093	2.839	4.832500	4,119,764	1,699,671
HarbourVest European Senior Loans	2,284,315	1,428,510	0.625	0.540000	1,233,530	(194,980)
Henderson Private Equity	132,519	234,424	1.769	3.562500	472,099	237,675
HG Capital Trust	1,934,000	11,207,516	5.795	11.310000	21,873,540	10,666,024
KKR & CO LP	220,000	1,508,871	6.859	12.955759	2,850,267	1,341,396
Northern Investors	454,791	725,515	1.595	2.807500	1,276,826	551,311
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0.982	0.970000	575,804	(6,993)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0.974	0.700000	715,274	(279,890)
Schroder Private Equity	1,769,005	1,145,333	0.647	1.982676	3,507,365	2,362,032
Standard Life European Private Equity Trust	4,434,448	5,174,666	1.167	1.812500	8,037,437	2,862,771
SVG Capital	1,569,164	5,341,722	3.404	3.819000	5,992,637	650,915
		58,255,142			**87,990,596**	**29,735,454**
Other Fixed Interest						
Electra Private Equity 5.000% 12/29/2017 DD 12/29/10	2,870	**2,870,000**	1,000	1,190.000	**3,415,300**	**545,300**
Unlisted Private Funds						
Midlands Growth Fund	2,509	**306,254**	122	3.500	**8,782**	**(297,472)**
Limited Partnerships Fund of Funds						
Partners Group Secondary 2006 L.P.		2,203,147			4,211,820	2,008,673
Partners Group Secondary 2008 L.P.		7,200,935			10,941,154	3,740,219
Partners Group Asia-Pacific 2007 L.P.		5,771,415			6,815,056	1,043,641
Partners Group Secondary 2011 L.P.		2,010,586			2,774,738	764,152
Partners Group Asia-Pacific 2011 L.P.		2,142,697			2,016,941	(125,756)
Adams Street 2007 Non US Fund		3,591,304			4,472,414	881,110
Adams Street 2008 Global Fund						
Adams Street 2008 Direct Fund		1,084,511			1,439,975	355,464
Adams Street 2008 Non US Fund		2,616,062			2,950,853	334,791
Adams Street 2008 US Fund		2,726,365			4,717,946	1,991,581
Adams Street 2009 Global Fund						
Adams Street 2009 Direct Fund		578,812			797,672	218,860
Adams Street 2009 Non US Developed Mkts Fund		1,026,155			1,094,008	67,853
		403,016			352,712	(50,304)
Adams Street 2009 US Fund		1,943,730			2,515,658	571,928
Adams Street 2013 Global Fund		280,953			253,392	(27,561)
Oxford Technology ECF Limited Partner AC		1,525,119			2,225,780	700,661
Longwall Ventures ECF Limited Partner AC		135,000			108,700	(26,300)
		35,239,807			**47,688,819**	**12,449,012**
Cash Held by Custodian for Private Equity		**12,395,689**			**12,395,689**	
CASH HELD IN HOUSE		**16,028,624**			**16,028,624**	
TOTAL OF ALL INVESTMENTS		**125,095,516**			**167,527,810**	**42,432,294**

TABLE 12

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 30th JUNE 2013

DATE	HOLDING	TRANSACTION	BOOK COST £	PAYMENTS £	SALE PROCEEDS £	REALISED GAIN/LOSS £
		LIMITED PARTNERSHIP FUND OF FUNDS DRAWDOWNS				
03/04/2013		Adams Street 2013 Global Fund	101,329	101,329		
03/04/2013		Partners Group Asia - Pacific 2011 L.P.	316,972	316,972		
11/04/2013		Oxford Technology ECF Limited Partner AC	45,000	45,000		
12/04/2013		Adams Street 2008 Direct Fund	15,967	15,967		
12/04/2013		Adams Street 2009 Direct Fund	32,011	32,011		
15/04/2013		Longwall Ventures ECF Limited Partner AC	15,000	15,000		
02/05/2013		Adams Street 2009 Non US Emerging Mkts Fund	34,930	34,930		
13/06/2013		Adams Street 2009 US Fund	100,045	100,045		
17/06/2013		Adams Street 2009 Non US Developed Mkts Fund	65,865	65,865		
21/06/2013		Adams Street 2007 Non US Fund	189,807	189,807		
27/06/2013		Partners Group Asia - Pacific 2011 L.P.	207,245	207,245		
27/06/2013		Partners Group Secondary 2011 L.P.	818,137	818,137		
			1,942,308	**1,942,308**		
		SALES				
16/04/2013	50,000	3I Group plc	(140,855)		(162,179)	21,324
			(140,855)		**(162,179)**	**21,324**
		LIMITED PARTNERSHIP FUND OF FUNDS CAPITAL DISTRIBUTIONS				
02/04/2013		Adams Street 2009 Direct Fund	(13,919)		(13,919)	
02/04/2013		Adams Street 2008 Direct Fund	(21,669)		(21,669)	
22/04/2013		Partners Group Asia - Pacific 2007 L.P.	(108,426)		(108,426)	
22/04/2013		Partners Group Secondary 2008 L.P.	(251,310)		(251,310)	
31/05/2013		Adams Street 2008 Direct Fund	(28,896)		(28,896)	
03/06/2013		Adams Street 2009 Direct Fund	(22,253)		(22,253)	
21/06/2013		Adams Street 2007 Non US Fund	(202,828)		(202,828)	
27/06/2013		Partners Group Secondary 2008 L.P.	(376,709)		(376,709)	
27/06/2013		Partners Group Secondary 2011 L.P.	(151,215)		(151,215)	
			(1,177,225)		**(1,177,225)**	0
		CORPORATE ACTION				
05/04/2013		HarbourVest European Senior Loans - Return of Capital	(262,696)		(262,696)	
18/04/2013	(122,416)	SVG Capital - Tender Offer	(416,727)		(514,147)	97,420
21/05/2013		KKR & CO LP - Return of Capital	(39,230)		(23,695)	(15,535)
28/06/2013		HarbourVest European Senior Loans - Return of Capital	(345,388)		(345,388)	
			(1,064,041)		**(1,145,926)**	**81,885**
		TOTALS	**(439,813)**	**1,942,308**	**(2,485,330)**	**103,209**

TABLE 13

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2013

COMBINED PORTFOLIO (BY ASSET CLASS)

ASSET	% weighting of fund as at 30th June 2013	QUARTER ENDED 30th June 2013			12 MONTHS ENDED 30th June 2013			THREE YEARS ENDED 30th June 2013			FIVE YEARS ENDED 30th June 2013		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	10.8%	0.0	1.4	**1.4**	21.4	23.1	**1.7**	12.4	13.0	**0.6**	8.8	4.7	**-4.1**
UK EQUITIES	30.7%	-1.7	-1.7	**0.0**	17.9	19.8	**1.9**	12.8	15.4	**2.6**	6.7	8.2	**1.5**
OVERSEAS EQUITIES	22.5%	0.1	0.2	**0.1**	21.9	22.5	**0.6**	12.4	10.5	**-1.9**	8.8	8.3	**-0.5**
UK GOVERNMENT BONDS	1.9%	-3.8	-4.1	**-0.3**	-2.4	-2.8	**-0.4**	5.3	4.4	**-0.9**	7.1	7.1	**0.0**
UK CORPORATE BONDS	5.8%	-2.9	-3.3	**-0.4**	6.5	4.7	**-1.8**	6.9	7.3	**0.4**	7.5	8.4	**0.9**
OVERSEAS BONDS*	2.6%	-2.9	-1.4	**1.5**	-0.9	2.2	**3.1**	2.4	3.5	**1.1**	4.5	5.9	**1.4**
UK INDEX LINKED GILTS	5.0%	-7.3	-7.4	**-0.1**	2.7	2.6	**-0.1**	9.6	10.3	**0.7**	7.2	8.1	**0.9**
TOTAL PRIVATE EQUITY	9.3%	1.2	0.2	**-1.0**	31.5	24.4	**-7.1**	15.4	17.3	**1.9**	7.7	4.0	**-3.7**
HEDGE FUNDS	2.2%	0.9	1.4	**0.5**	3.6	6.1	**2.5**	3.8	3.0	**-0.8**	4.3	0.1	**-4.2**
PROPERTY ASSETS	5.8%	1.4	1.9	**0.5**	2.2	3.5	**1.3**	4.6	5.4	**0.8**	-0.1	-2.3	**-2.2**
TOTAL CASH	3.4%	-	0.2	**-**	-	1.8	**-**	-	1.7		-	1.4	
TOTAL FUND	100%	**-0.9**	**-0.9**	**0.0**	**16.3**	**16.2**	**-0.1**	**11.3**	**11.6**	**0.3**	**7.5**	**6.3**	**-1.2**

*** This includes L&G Currency Hedging for Overseas bonds**

TABLE 14

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2013

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th June 2013	QUARTER ENDED 30th June 2013			12 MONTHS ENDED 30th June 2013			THREE YEARS ENDED 30th June 2013			FIVE YEARS ENDED 30th June 2013		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
BAILLIE GIFFORD UK EQUITIES	20.1%	-1.7	-1.6	0.1	17.9	21.2	3.3	12.8	16.7	3.9	6.7	9.3	2.6
WELLINGTON GLOBAL EQUITIES	12.3%	-0.1	1.4	1.5	-	-	-	-	-	-	-	-	-
L&G UK EQUITIES - PASSIVE	9.9%	-2.0	-2.0	0.0	15.8	15.9	0.1	12.1	12.2	0.1	5.9	6.1	0.2
L&G GLOBAL EX UK EQUITIES - PASSIVE	8.7%	0.5	0.5	0.0	22.7	22.6	-0.1	-	-	-	-	-	-
L&G FIXED INCOME	15.5%	-4.3	-4.5	-0.2	3.1	2.4	-0.7	7.1	7.3	0.2	7.1	7.9	0.8
PARTNERS GROUP PROPERTY	0.8%	1.4	4.0	2.6	2.2	10.5	8.3	4.6	9.5	4.9	-	-	-
PRIVATE EQUITY	9.3%	1.2	0.2	-1.0	31.5	24.4	-7.1	15.4	17.3	1.9	7.7	4.0	-3.7
UBS OVERSEAS EQUITIES	13.9%	-0.5	0.0	0.5	22.4	22.7	0.3	11.2	10.5	-0.7	7.9	8.3	0.4
UBS PROPERTY	5.4%	1.4	1.7	0.3	2.2	2.8	0.6	4.6	4.7	0.1	-0.1	-3.2	-3.1
UBS HEDGE FUNDS	2.2%	0.9	1.4	0.5	3.6	6.1	2.5	3.8	3.0	-0.8	4.3	0.1	-4.2
IN-HOUSE CASH	1.9%	0.1	0.1	0.0	0.4	0.7	0.3	0.4	1.3	0.9	0.8	1.9	1.1
TOTAL FUND	**100.0%**	**-0.9**	**-0.9**	**0.0**	**16.3**	**16.2**	**-0.1**	**11.3**	**11.6**	**0.3**	**7.5**	**6.3**	**-1.2**

*** This includes L&G Currency Hedging for Overseas bonds**

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2013

BAILLIE GIFFORD - UK EQUITIES ACTIVE MANDATE

TABLE 15

ASSET	QUARTER ENDED 30/06/2013			12 MONTHS ENDED 30/06/2013			THREE YEARS ENDED 30/06/2013			FIVE YEARS ENDED 30/06/2013		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK EQUITIES	-1.7	-1.6	0.1	17.9	21.9	4.0	12.8	17.1	4.3	6.7	9.4	2.7
TOTAL CASH	-	0.1	-	-	0.4	-	-	0.6	-	-	1.2	-
TOTAL ASSETS	**-1.7**	**-1.6**	**0.1**	**17.9**	**21.2**	**3.3**	**12.8**	**16.7**	**3.9**	**6.7**	**9.3**	**2.6**

Target Objective - To seek to outperform the Benchmark by 1.25% per annum over rolling 3 year periods (gross of management fees)

WELLINGTON - GLOBAL EQUITIES ACTIVE MANDATE

TABLE 16

ASSET	QUARTER ENDED 31/12/2012			12 MONTHS ENDED 31/12/2012			THREE YEARS ENDED 31/12/2012			FIVE YEARS ENDED 31/12/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL INC UK EQUITIES	-0.1	1.4	1.5	-	-	-	-	-	-	-	-	-
TOTAL CASH	-	-		-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**-0.1**	**1.4**	**1.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Target Objective - To seek to outperform the Benchmark by 2.0% per annum over rolling 3 year periods (gross of management fees)

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2013

LEGAL & GENERAL - PASSIVE EQUITY INDEX FUNDS

TABLE 17

ASSET	QUARTER ENDED 30/06/2013 BENCHMARK RETURN %	QUARTER ENDED 30/06/2013 OXFORDSHIRE TOTAL FUND %	QUARTER ENDED 30/06/2013 VARIATION %	12 MONTHS ENDED 30/06/2013 BENCHMARK RETURN %	12 MONTHS ENDED 30/06/2013 OXFORDSHIRE TOTAL FUND %	12 MONTHS ENDED 30/06/2013 VARIATION %	THREE YEARS ENDED 30/06/2013 BENCHMARK RETURN %	THREE YEARS ENDED 30/06/2013 OXFORDSHIRE TOTAL FUND %	THREE YEARS ENDED 30/06/2013 VARIATION %	FIVE YEARS ENDED 30/06/2013 BENCHMARK RETURN %	FIVE YEARS ENDED 30/06/2013 OXFORDSHIRE TOTAL FUND %	FIVE YEARS ENDED 30/06/2013 VARIATION %
1 FTSE 100 EQUITY INDEX FUND	-2.0	-2.0	0.0	15.8	15.9	0.1	12.1	12.2	0.1	5.9	6.1	0.2
2 L&G WORLD (EX-UK) EQUITY FUND	0.5	0.5	0.0	22.7	22.6	-0.1	-	-	-	-	-	

Target Objective - 1. To track the FTSE 100 Index 2. To track the FTSE AW-World (ex-UK) Index

LEGAL & GENERAL - BONDS

TABLE 18

ASSET	QUARTER ENDED 30/06/2013 BENCHMARK RETURN %	QUARTER ENDED 30/06/2013 OXFORDSHIRE TOTAL FUND %	QUARTER ENDED 30/06/2013 VARIATION %	12 MONTHS ENDED 30/06/2013 BENCHMARK RETURN %	12 MONTHS ENDED 30/06/2013 OXFORDSHIRE TOTAL FUND %	12 MONTHS ENDED 30/06/2013 VARIATION %	THREE YEARS ENDED 30/06/2013 BENCHMARK RETURN %	THREE YEARS ENDED 30/06/2013 OXFORDSHIRE TOTAL FUND %	THREE YEARS ENDED 30/06/2013 VARIATION %	FIVE YEARS ENDED 30/06/2013 BENCHMARK RETURN %	FIVE YEARS ENDED 30/06/2013 OXFORDSHIRE TOTAL FUND %	FIVE YEARS ENDED 30/06/2013 VARIATION %
UK GILTS	-3.8	-4.1	-0.3	-2.4	-2.8	-0.4	5.3	4.4	-0.9	7.1	7.1	0.0
UK CORPORATE BONDS	-2.9	-3.3	-0.4	6.5	4.7	-1.8	6.9	7.3	0.4	7.5	8.4	0.9
OVERSEAS BONDS*	-1.5	-1.4	0.1	1.4	2.2	0.8	3.2	3.5	0.3	5.0	5.8	0.8
UK INDEX LINKED	-7.3	-7.4	-0.1	2.7	2.6	-0.1	9.6	10.3	0.7	7.2	8.1	0.9
CASH/ALTERNATIVES*	-	n/a	-	-	n/a	-	-	n/a	-	-	n/a	-
TOTAL ASSETS	**-4.3**	**-4.5**	**-0.2**	**3.1**	**2.4**	**-0.7**	**7.1**	**7.3**	**0.2**	**7.1**	**7.9**	**0.8**

*** Cash held by L&G is used for hedging the Overseas Bond position. This is therefore included in the Overseas Bond category in order to produce a hedged return.**

Target Objective - To outperform the Benchmark by 0.6% per annum over rolling 3 year periods (gross of management fees)

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2013

INDEPENDENT ADVISOR - PRIVATE EQUITY **TABLE 19**

ASSET	QUARTER ENDED 30/06/2013			12 MONTHS ENDED 30/06/2013			THREE YEARS ENDED 30/06/2013			FIVE YEARS ENDED 30/06/2013		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PRIVATE EQUITY	1.2	-1.0	-2.2	31.5	34.0	2.5	15.4	19.6	4.2	7.7	4.2	-3.5
LIMITED LIABILITY PARTNERSHIPS	1.2	2.4	1.2	31.5	8.3	-23.2	15.4	12.1	-3.3	7.7	7.1	-0.6
TOTAL ASSETS	**1.2**	**0.2**	**-1.0**	**31.5**	**24.4**	**-7.1**	**15.4**	**17.3**	**1.9**	**7.7**	**4.0**	-3.7

Target Objective - To seek to outperform the Benchmark by 1% over rolling 3 year periods.

PARTNERS GROUP REAL ESTATE - PROPERTY **TABLE 20**

ASSET	QUARTER ENDED 30/06/2013			12 MONTHS ENDED 30/06/2013			THREE YEARS ENDED 30/06/2013			FIVE YEARS ENDED 30/06/2013		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	1.4	4.0	2.6	2.2	10.5	8.3	4.6	9.5	4.9	-	-	-
TOTAL CASH	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS*	**1.4**	**4.0**	**2.6**	**2.2**	**10.5**	**8.3**	4.6	9.5	**4.9**	-	-	

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2013

UBS GLOBAL ASSET MANAGEMENT- OVERSEAS EQUITIES **TABLE 21**

ASSET	QUARTER ENDED 30/06/2013			12 MONTHS ENDED 30/06/2013			THREE YEARS ENDED 30/06/2013			FIVE YEARS ENDED 30/06/2013		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
OVERSEAS EQUITIES	-0.5	0.0	0.5	22.4	22.7	0.3	11.2	10.5	-0.7	7.9	8.3	0.4
TOTAL CASH	-	-		-	-		-	-		-	-	
TOTAL ASSETS	**-0.5**	**0.0**	**0.5**	**22.4**	**22.7**	**0.3**	**11.2**	**10.5**	**-0.7**	**7.9**	**8.3**	**0.4**

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

UBS GLOBAL ASSET MANAGEMENT - PROPERTY **TABLE 22**

ASSET	QUARTER ENDED 30/06/2013			12 MONTHS ENDED 30/06/2013			THREE YEARS ENDED 30/06/2013			FIVE YEARS ENDED 30/06/2013		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	1.4	1.7	0.3	2.2	2.8	0.6	4.6	5.2	0.6	-0.1	-2.4	-2.3
TOTAL CASH*	-	6.7	-	-	7.8	-	-	2.1	-	-	-	-
TOTAL ASSETS**	**1.4**	**1.7**	**0.3**	**2.2**	**2.8**	**0.6**	**4.6**	**4.7**	**0.1**	**-0.1**	**-3.2**	**-3.1**

*** Historic returns for this category refer to the portfolio whilst both Overseas Equities and Property were held within one portfolio. Property cash shown from June 2009**
**** Total Assets for this mandate reflect Cash from June 2009 only.**

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th JUNE 2013

UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS **TABLE 23**

ASSET	QUARTER ENDED 30/06/2013			12 MONTHS ENDED 30/06/2013			THREE YEARS ENDED 30/06/2013			FIVE YEARS ENDED 30/06/2013		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
HEDGE FUNDS	0.9	1.4	0.5	3.6	6.2	2.6	3.8	3.0	-0.8	4.3	0.1	-4.2
TOTAL CASH	-	-	-	-	-		-	-		-	-	
TOTAL ASSETS	**0.9**	**1.4**	**0.5**	**3.6**	**6.1**	**2.5**	**3.8**	**3.0**	**-0.8**	**4.3**	**0.1**	**-4.2**

Target Objective - To seek to outperform the 3 month LIBOR + 3% over rolling 3 year periods

INTERNALLY MANAGED CASH **TABLE 24**

ASSET	QUARTER ENDED 30/06/2013			12 MONTHS ENDED 30/06/2013			THREE YEARS ENDED 30/06/2013			FIVE YEARS ENDED 30/06/2013		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
INTERNALLY MANAGED CASH*	0.1	0.1	0.0	0.4	0.7	0.3	0.4	1.3	0.9	0.8	1.9	1.1
TOTAL ASSETS	**0.1**	**0.1**	**0.0**	**0.4**	**0.7**	**0.3**	**0.4**	**1.3**	**0.9**	**0.8**	**1.9**	**1.1**

*** This portfolio includes cash held at the Custodian**

TABLE 25

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOP 20 HOLDINGS AT 30/06/2013

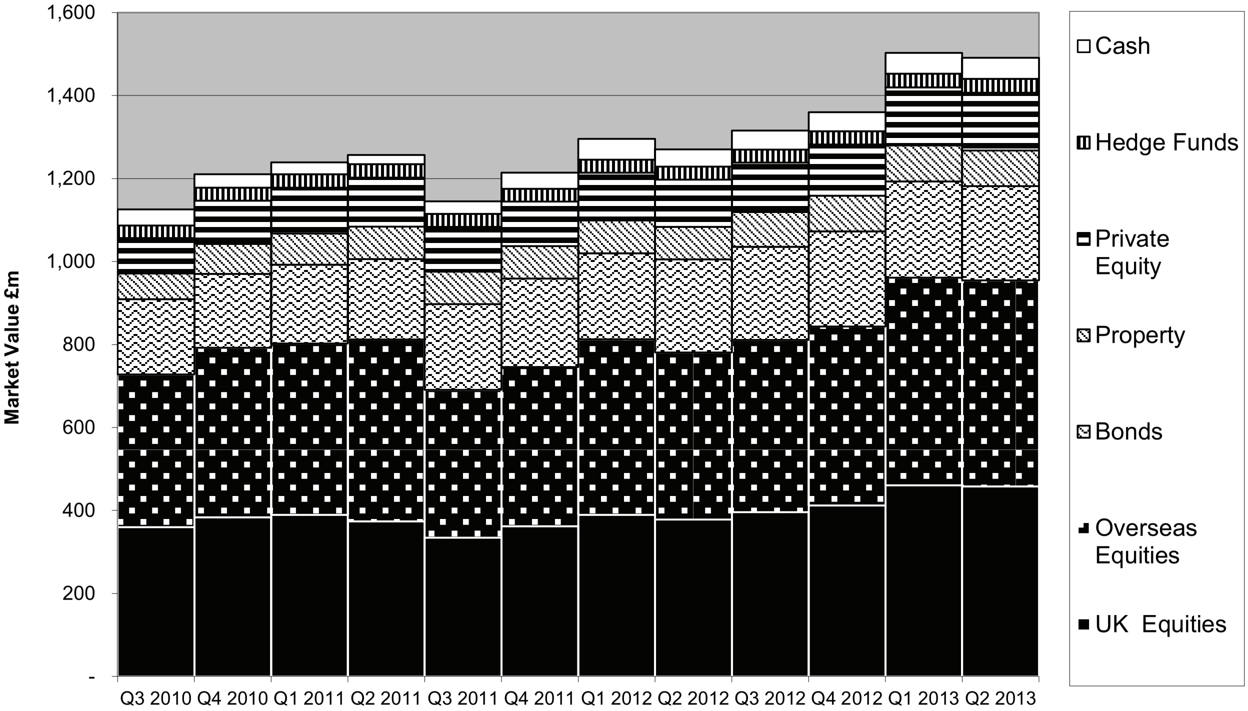
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	ELECTRA INVESTMENT TR ORD 25P	22,498,203	1.51
2	HG CAPITAL TRUST ORD GBP0.25	21,873,540	1.47
3	BRITISH AMERICAN TOBACCO ORD	14,559,245	0.98
4	HSBC HLDGS ORD USD0.50 (UK)	13,821,820	0.93
5	BG GROUP PLC ORD GBP0.10	11,942,979	0.80
6	ASHTEAD GROUP PLC	9,602,760	0.64
7	ROYAL DUTCH SHELL 'B' SHS	9,293,105	0.62
8	ITALY BUONI POLIENNALI DEL TES 4.750% 09/15/2016	8,905,135	0.60
9	BUNZL ORD GBP0.3214857	8,576,194	0.58
10	PRUDENTIAL PLC GBP0.05	8,567,255	0.57
11	F & C PRIVATE EQUITY TRUST	8,434,400	0.57
12	MEGGITT ORD5P	8,133,625	0.55
13	STANDARD LIFE EURO ORD	8,037,437	0.54
14	REED ELSEVIER	8,035,453	0.54
15	UNITED KINGDOM GILT 3MO-INFLAT 1.875% 11/22/2022	7,901,250	0.53
16	SABMILLER PLC	7,880,000	0.53
17	LEGAL & GENERAL GROUP ORD 2.5P	7,773,594	0.52
18	IMPERIAL TOBACCO GROUP ORD 10P	7,703,020	0.52
19	ROLLS-ROYCE HLDGS PLC	7,300,214	0.49
20	ST JAMES PLACE PLC	7,297,045	0.49
	TOP 20 HOLDINGS MARKET VALUE *	**208,136,274**	13.98
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 30/06/2013		
1	UBS LIFE GLOBAL OPTIMAL THIRDS A FUND	188,178,901	12.62
2	LEGAL & GENERAL FTSE 100 EQUITY INDEX FUND	148,029,814	9.93
3	LEGAL & GENERAL WORLD (EX UK) EQUITY INDEX FUND	128,764,577	8.63
4	LEGAL & GENERAL CORE PLUS FUND	86,548,267	5.80
5	BAILLIE GIFFORD BRITISH SMALLER COMPANIES FUND	20,022,268	1.34
	TOTAL POOLED FUNDS MARKET VALUE	**571,543,827**	38.32
	TOTAL FUND MARKET VALUE	**1,491,392,000**	

GRAPH 1

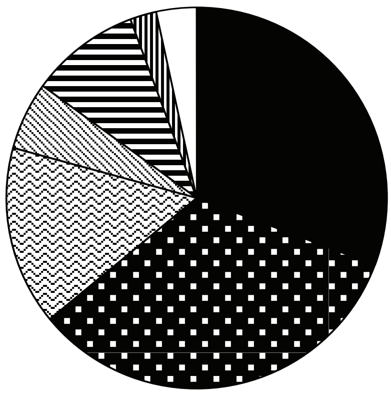
<u>OXFORDSHIRE COUNTY COUNCIL PENSION FUND</u>

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS



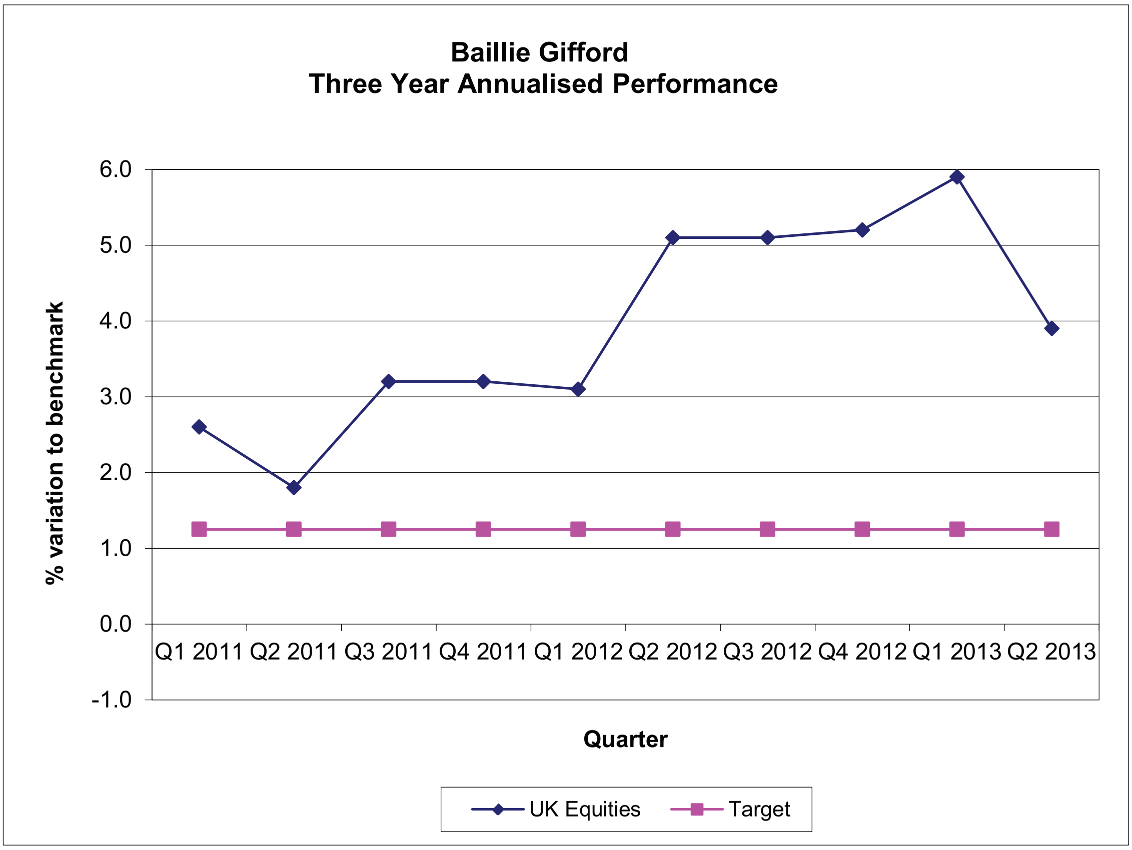
Asset Allocation Latest Quarter



Quarter	Market Value £m
Q3 2010	1,126.0
Q4 2010	1,210.7
Q1 2011	1,239.0
Q2 2011	1,257.2
Q3 2011	1,145.3
Q4 2011	1,214.3
Q1 2012	1,295.7
Q2 2012	1,270.6
Q3 2012	1,316.0
Q4 2012	1,359.8
Q1 2013	1,503.0
Q1 2013	1,491.4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 2



Baillie Gifford Three Year Annualised Performance

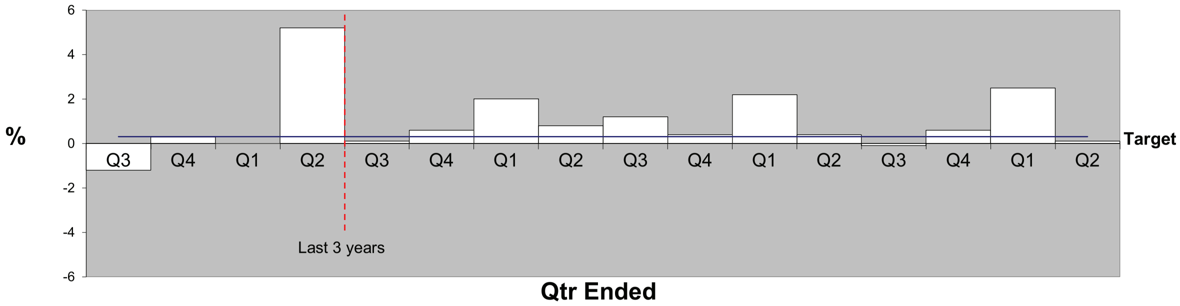
	UK Equities	Target
Q1 2011	2.6	1.25
Q2 2011	1.8	1.25
Q3 2011	3.2	1.25
Q4 2011	3.2	1.25
Q1 2012	3.1	1.25
Q2 2012	5.1	1.25
Q3 2012	5.1	1.25
Q4 2012	5.2	1.25
Q1 2013	5.9	1.25
Q2 2013	3.9	1.25

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3

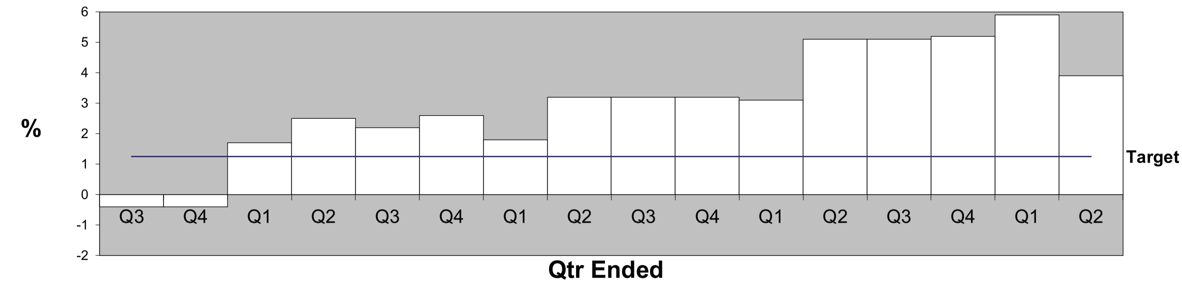
2009	2010	2011	2012	2013

Quarterly Performance



Performance	21.2	5.8	6.4	-6.6	13.7	8.0	3.0	2.7	-12.3	8.8	8.3	-2.2	4.6	4.4	12.8	-1.6
	22.4	5.5	6.4	-11.8	13.6	7.4	1.0	1.9	-13.5	8.4	6.1	-2.6	4.7	3.8	10.3	-1.7
Relative Return	**-1.2**	**0.3**	**0.0**	**5.2**	**0.1**	**0.6**	**2.0**	**0.8**	**1.2**	**0.4**	**2.2**	**0.4**	**-0.1**	**0.6**	**2.5**	**0.1**

3 Year Performance



Performance	-1.7	-0.6	-4.0	1.5	3.6	8.0	8.4	9.2	9.2	16.1	21.9	18.9	13.2	12.7	14.7	16.7
Benchmark	-1.3	-0.2	-5.7	-1	1.4	5.4	6.6	6	6	12.9	18.8	13.8	8.1	7.5	8.8	12.8
Relative Return	**-0.4**	**-0.4**	**1.7**	**2.5**	**2.2**	**2.6**	**1.8**	**3.2**	**3.2**	**3.2**	**3.1**	**5.1**	**5.1**	**5.2**	**5.9**	**3.9**

Target Returns

Rolling annual target of 1.25% above benchmark

Top 10 holdings at **30/06/2013**

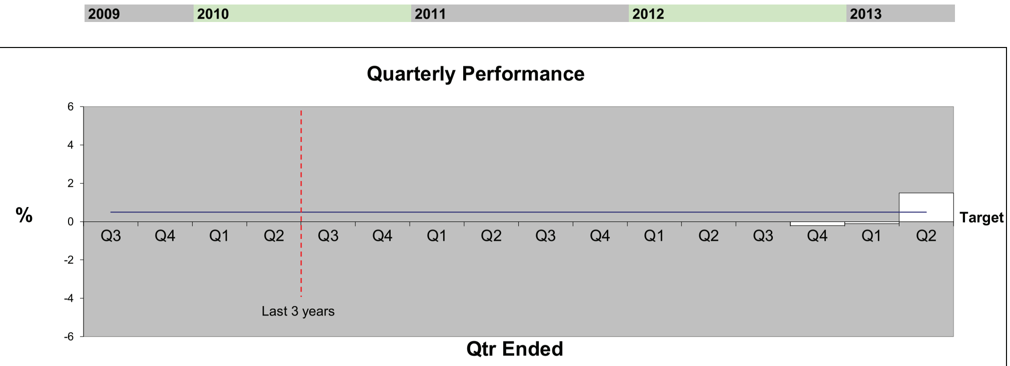
	Holding	Value £	% of portfolio
1	BRITISH AMERICAN TOBACCO ORD	12,895,610	4.30
2	BG GROUP PLC ORD GBP0.10	11,942,979	3.99
3	HSBC HLDGS ORD USD0.50 (UK)	11,282,717	3.76
4	ASHTEAD GROUP PLC	9,602,760	3.20
5	ROYAL DUTCH SHELL 'B' SHS	9,293,105	3.10
6	BUNZL ORD GBP0.3214857	8,576,194	2.86
7	PRUDENTIAL PLC GBP0.05	8,567,255	2.86
8	MEGGITT ORD5P	8,133,625	2.71
9	REED ELSEVIER	8,035,453	2.68
10	SABMILLER PLC	7,880,000	2.63
	Top 10 Holdings Market Value	96,209,698	32.09
	Total Baillie Gifford Market Value	299,783,000	

Baillie Gifford

Top 10 holdings excludes investments held within pooled funds.

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 4



Performance															14.0 14.1	1.4 -0.1
Relative Return	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**1.5**

Target Returns

Rolling annual target of 2% above benchmark

Top 10 holdings at 30/06/2013

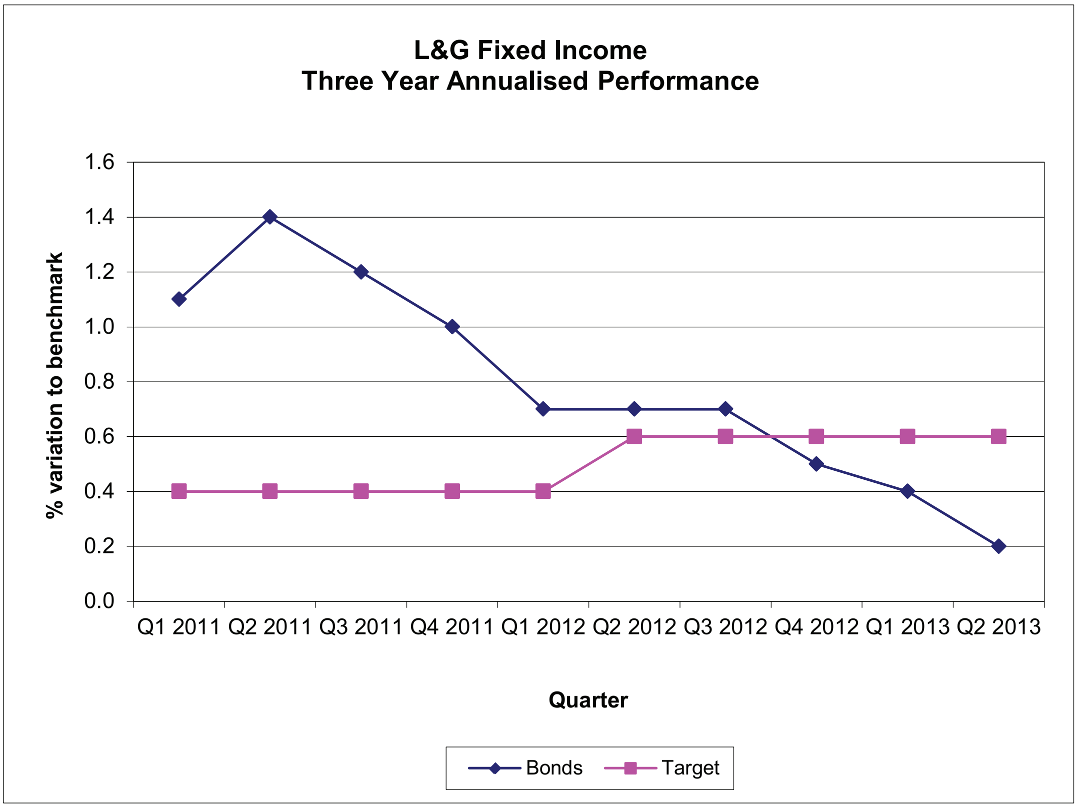
	Holding	Value £	% of portfolio
1	MERCK & CO INC	5,026,841	2.74
2	JPMORGAN CHASE & CO	4,721,849	2.57
3	MARSH & MCLENNAN COS INC	4,137,893	2.25
4	ISUZU MOTORS LTD Y50	3,744,131	2.04
5	WELLS FARGO & CO	3,662,420	2.00
6	ZURICH INSURANCE GROUP AG	3,477,230	1.89
7	CISCO SYSTEMS INC	3,429,302	1.87
8	INTERNATIONAL PAPER CO	3,260,827	1.78
9	PNC FINANCIAL SERVICES GROUP I	3,248,465	1.77
10	TAIWAN SEMICONDUCTOR MANUFACTU	3,140,502	1.71
	Top 10 Holdings Market Value	37,849,460	20.62
	Total Wellington Market Value	183,522,000	

Wellington

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 5

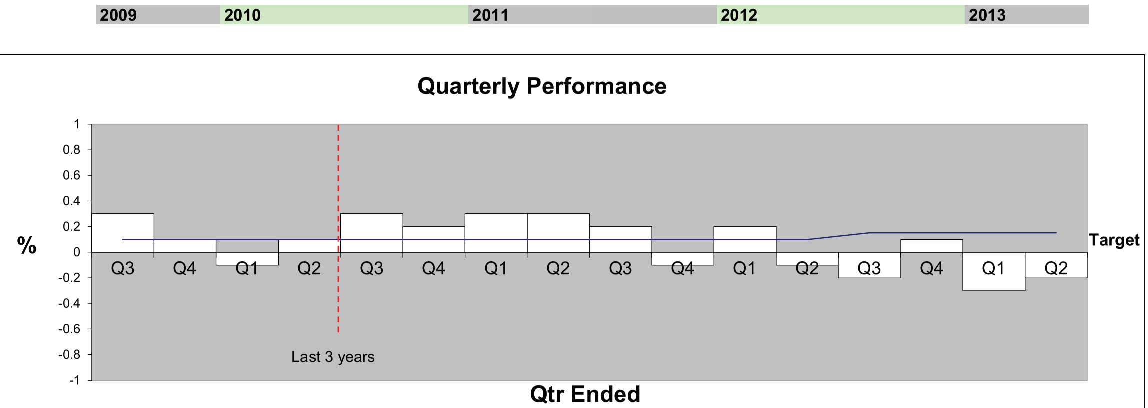


L&G Fixed Income Three Year Annualised Performance

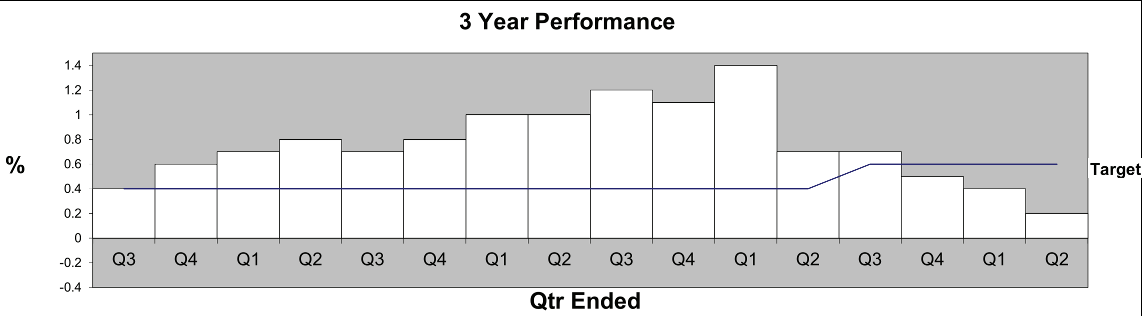
	Bonds	Target
Q1 2011	1.1	0.4
Q2 2011	1.4	0.4
Q3 2011	1.2	0.4
Q4 2011	1.0	0.4
Q1 2012	0.7	0.4
Q2 2012	0.7	0.6
Q3 2012	0.7	0.6
Q4 2012	0.5	0.6
Q1 2013	0.4	0.6
Q2 2013	0.2	0.6

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 6



	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Performance	5.2	0.2	2.6	2.7	4.2	-0.9	0.4	3.0	5.0	5.2	0.0	2.3	1.3	2.4	3.4	-4.5
	5.1	0.3	2.5	2.4	4.0	-1.2	0.1	2.8	5.1	5.0	0.1	2.0	1.5	2.3	3.7	-4.3
Relative Return	**0.1**	**-0.1**	**0.1**	**0.3**	**0.2**	**0.3**	**0.3**	**0.2**	**-0.1**	**0.2**	**-0.1**	**0.3**	**-0.2**	**0.1**	**-0.3**	**-0.2**



	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Performance	3.6	5.1	5.7	5.7	6.9	8.7	8.7	6.9	6.5	8.1	10.7	10.3	9.0	9.6	9.9	7.3
Benchmark	3.0	4.4	4.9	5.0	6.1	7.7	7.7	5.7	5.4	6.7	10.0	9.6	8.3	9.1	9.5	7.1
Relative Return	**0.6**	**0.7**	**0.8**	**0.7**	**0.8**	**1.0**	**1.0**	**1.2**	**1.1**	**1.4**	**0.7**	**0.7**	**0.7**	**0.5**	**0.4**	**0.2**

Target Returns

Rolling annual target of 0.60% above benchmark

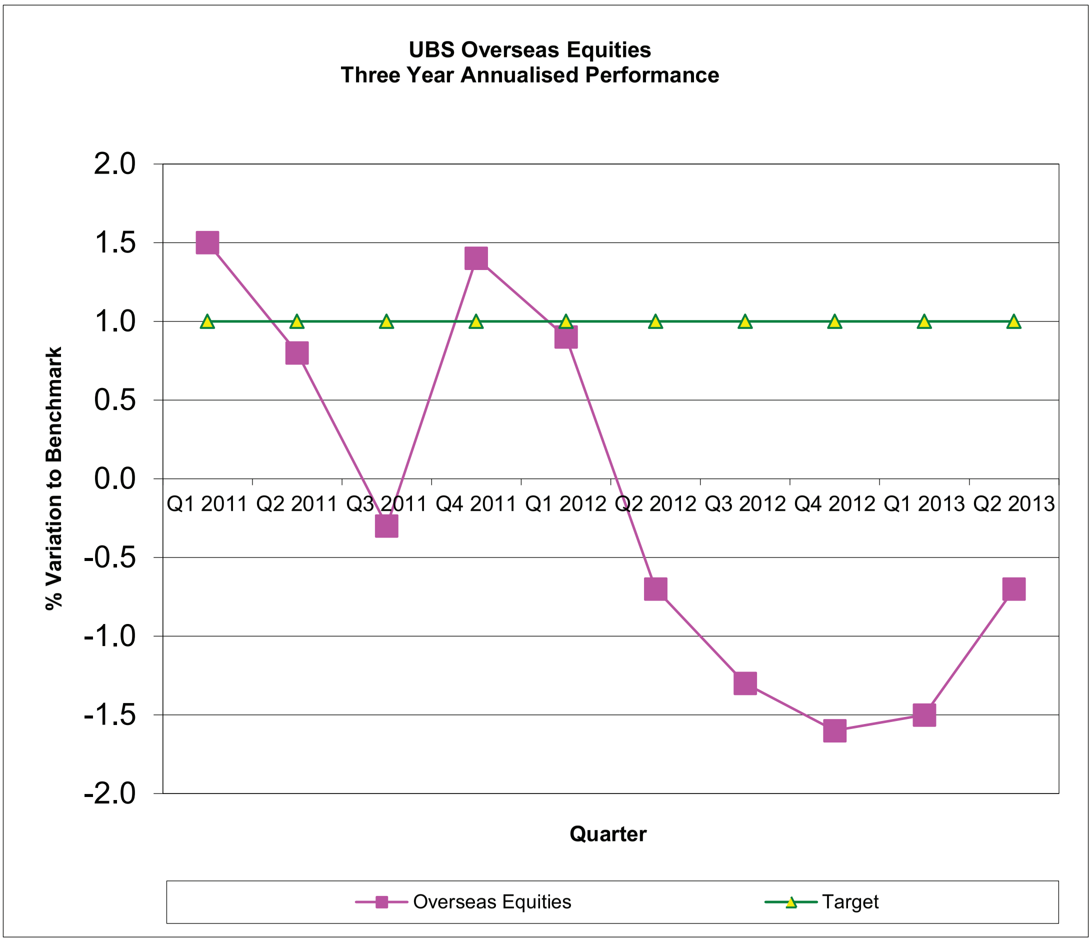
Top 10 holdings at 30/06/2013

	Holding	Value £	% of portfolio
1	ITALY BUONI POLIENNALI DEL TES 4.750% 09/15/2016	8,905,135	3.85
2	UNITED KINGDOM GILT 3MO-INFLAT 1.875% 11/22/2022	7,901,250	3.42
3	TREASURY INDEX-LINKED 2.500% 16-APR-2020	6,609,977	2.86
4	UNITED KINGDOM GILT 3MO-INFLAT 1.250% 11/22/2027	5,704,971	2.47
5	TREASURY INDEX-LINKED 2.500% 17-JUL-2024	5,677,583	2.45
6	UNITED KINGDOM GILT 3MO-INFLAT 1.250% 11/22/2055	4,803,110	2.08
7	UNITED KINGDOM GILT 8MO-INFLAT 2.000% 01/26/2035	4,447,740	1.92
8	UNITED KINGDOM GILT 3MO-INFLAT 1.250% 11/22/2032	4,409,126	1.91
9	UNITED KINGDOM GILT 3MO-INFLAT 0.125% 03/22/2044	4,279,969	1.85
10	UNITED KINGDOM GILT 3MO-INFLAT 1.125% 11/22/2037	4,176,487	1.80
	Top 10 Holdings Market Value	56,915,348	24.61
	Total Legal & General Market Value	231,284,000	

Legal & General

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND **GRAPH 7**

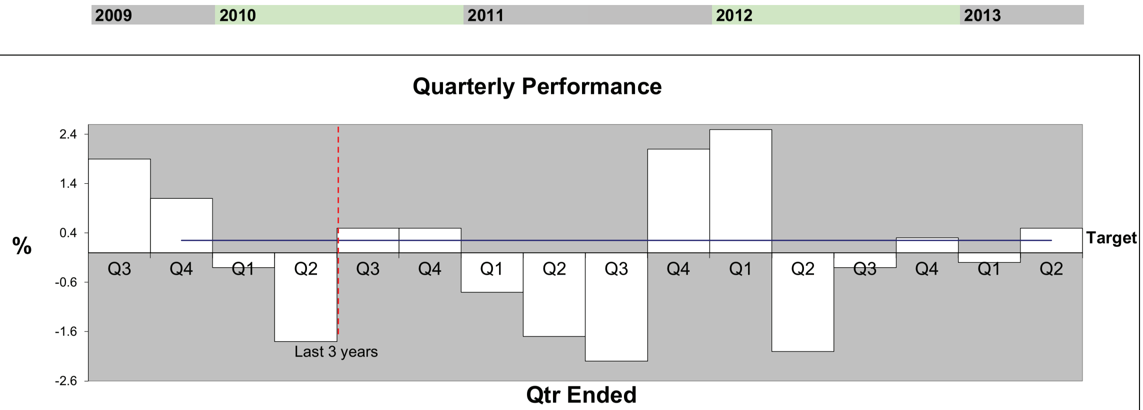


UBS Three Year Annualised Performance

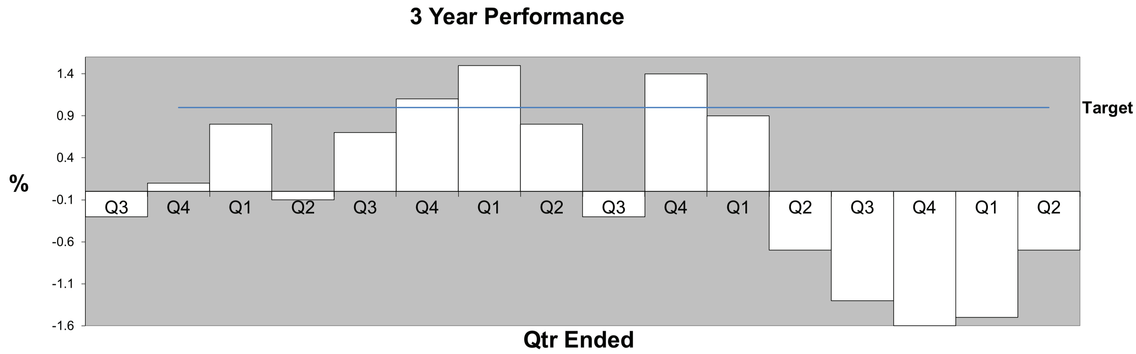
	Overseas Equities	Target
Q1 2011	1.5	1.0
Q2 2011	0.8	1.0
Q3 2011	-0.3	1.0
Q4 2011	1.4	1.0
Q1 2012	0.9	1.0
Q2 2012	-0.7	1.0
Q3 2012	-1.3	1.0
Q4 2012	-1.6	1.0
Q1 2013	-1.5	1.0
Q2 2013	-0.7	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 8



Performance	23.9	3.2	9.4	-12.9	9.5	9.5	1.1	-1.0	-18.3	7.3	11.9	-6.7	3.8	4.6	13.1	0.0
	22.0	2.1	9.7	-11.1	9.0	9.0	1.9	0.7	-16.1	5.2	9.4	-4.7	4.1	4.3	13.3	-0.5
Relative Return	**1.9**	**1.1**	**-0.3**	**-1.8**	**0.5**	**0.5**	**-0.8**	**-1.7**	**-2.2**	**2.1**	**2.5**	**-2.0**	**-0.3**	**0.3**	**-0.2**	**0.5**



Performance	3.2	2.8	5.6	-0.8	2.2	5.3	9.6	9.8	5.3	9.1	16.5	10.2	3.9	4.3	5.6	10.5
Benchmark	3.5	2.7	4.8	-0.7	1.5	4.2	8.1	9.0	5.6	7.7	15.6	10.9	5.2	5.9	7.1	11.2
Relative Return	**-0.3**	**0.1**	**0.8**	**-0.1**	**0.7**	**1.1**	**1.5**	**0.8**	**-0.3**	**1.4**	**0.9**	**-0.7**	**-1.3**	**-1.6**	**-1.5**	**-0.7**

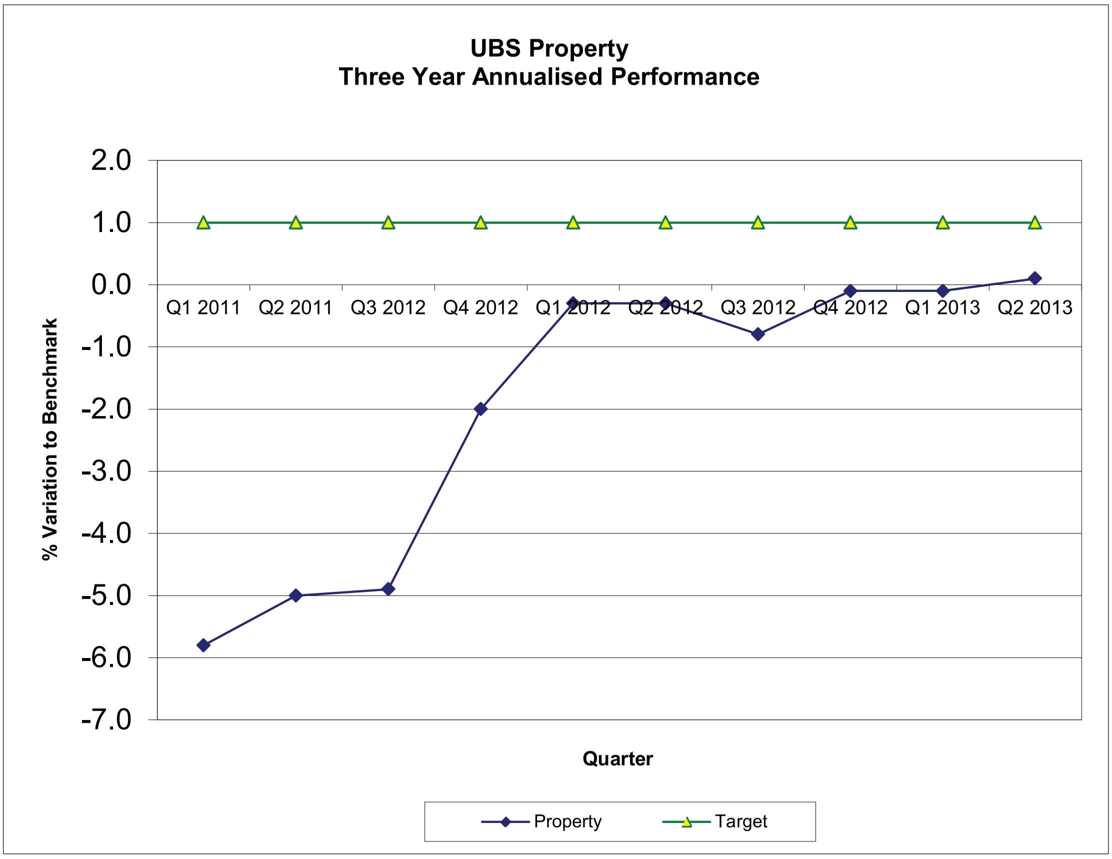
<u>Target Returns</u>

Rolling annual target of 1.00% above benchmark

UBS - Overseas Equities

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 9



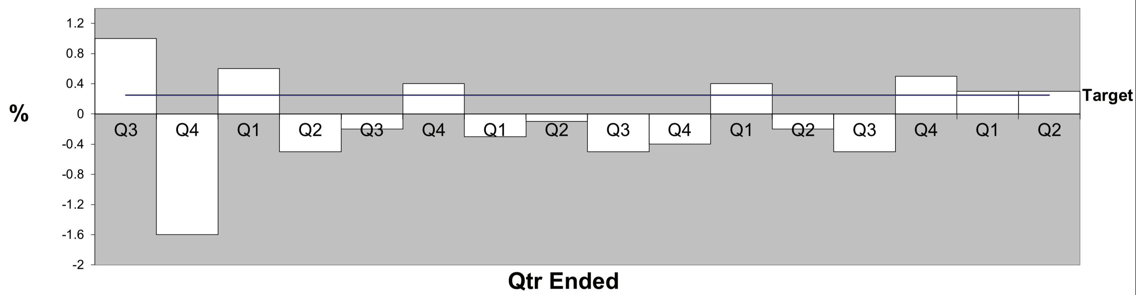
UBS Three Year Annualised Performance

	Property	Target
Q1 2011	-5.8	1.0
Q2 2011	-5.0	1.0
Q3 2012	-4.9	1.0
Q4 2012	-2.0	1.0
Q1 2012	-0.3	1.0
Q2 2012	-0.3	1.0
Q3 2012	-0.8	1.0
Q4 2012	-0.1	1.0
Q1 2013	-0.1	1.0
Q2 2013	0.1	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 10

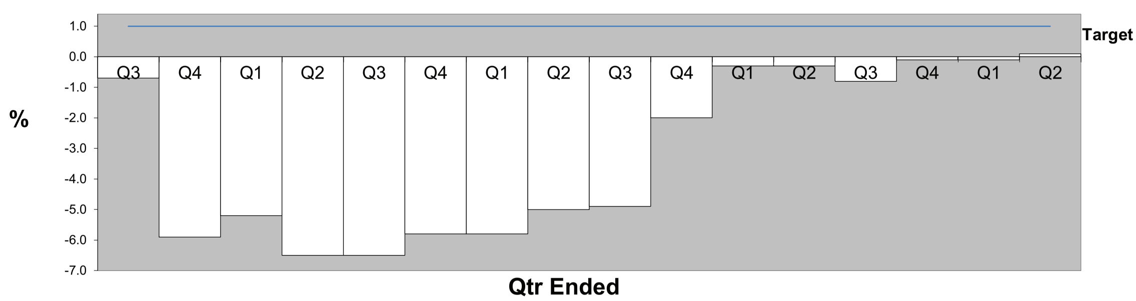
2009	2010	2011	2012	2013



	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Performance	3.1	6.3	5.4	2.6	1.7	2.3	1.6	1.7	1.3	0.9	1.2	0.1	-0.1	0.1	1.1	1.7
	2.1	7.9	4.8	3.1	1.9	1.9	1.9	1.8	1.8	1.3	0.8	0.3	0.4	-0.4	0.8	1.4
Relative Return	**1.0**	**-1.6**	**0.6**	**-0.5**	**-0.2**	**0.4**	**-0.3**	**-0.1**	**-0.5**	**-0.4**	**0.4**	**-0.2**	**-0.5**	**0.5**	**0.3**	**0.3**

Target

3 year Performance



	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Performance	-12.7	-16.8	-15.9	-16.4	-15.5	-11.5	-9.7	-7.3	-4.6	3.6	8.5	9.8	8.7	6.5	5.1	4.7
Benchmark	-12.0	-10.9	-10.7	-9.9	-9.0	-5.7	-3.9	-2.3	0.3	5.6	8.8	10.1	9.5	6.6	5.2	4.6
Relative Return	**-0.7**	**-5.9**	**-5.2**	**-6.5**	**-6.5**	**-5.8**	**-5.8**	**-5.0**	**-4.9**	**-2.0**	**-0.3**	**-0.3**	**-0.8**	**-0.1**	**-0.1**	**0.1**

Target Returns

Rolling annual target of 1.0% above benchmark

Top 10 holdings at 30/06/2013

	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND	9,948,022	12.35
2	SCHRODERS GBP I INC	6,240,846	7.75
3	STANDARD LIFE POOLED PPTY FD	5,964,579	7.41
4	PRUDENTIAL CORP PENSIONS PPTY FUND	5,542,285	6.88
5	REAL ESTATE - EUROPEAN FUND	5,263,412	6.53
	Top 10 Holdings Market Value	32,959,144	40.92
	Total UBS Property Market Value	80,538,000	

UBS - Property

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 7

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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AllenbridgeEpic
investment advisers

REPORT PREPARED FOR

Oxfordshire Council Pension Fund

Q2 2013

12 August 2013

Peter Davies

AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic)

peter.davies@allenbridgeepic.com www.allenbridgeepic.com

PENSION FUND COMMITTEE - 6 SEPTEMBER 2013

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. The UK reported growth of +0.6% in the second quarter – better than many had predicted – and estimates for the full year have been increased slightly. In the US, the monthly jobs data has beaten expectations in April – June, with a slight setback in July. The Federal Reserve has raised its estimates of GDP growth to 2.45% this year and 3.25% in 2014, which are better than consensus estimates (see table below). Japan also saw a stronger economy than expected in Q1, but the Eurozone remains becalmed, and China looks to be achieving slower growth than in recent years.

(In the table below, bracketed figures show the forecasts at the time of the June Committee)

Consensus real growth (%)	2010	2011	2012	2013E	2014E	Consumer prices latest (%)
UK	+1.6	+0.9	-0.1	(+0.7) +1.0	+1.7	+2.9 (CPI)
USA	+2.9	+1.7	+2.2	(+2.1) +1.7	+2.7	+1.8
Eurozone	+1.7	+1.5	-0.5	(-0.5) -0.6	+0.8	+1.6
Japan	+4.2	-0.7	+1.9	(+1.3) +2.0	+1.7	+0.2
China	+10.3	+9.2	+7.8	(+8.4) +7.5	+7.3	+2.7

[Source: The Economist 10.8.13]

2. The statements from the Federal Reserve Bank have had the greatest impact on Equity and Bond markets. On May 22nd, their minutes showed that several members of the committee were envisaging a 'tapering' of the rate of Quantitative Easing (QE) if the US economy continued its recovery. While not new, this reminded markets that the buoyancy of markets had been due partly to the massive injections of liquidity from central banks. Equity and bond markets both fell quite sharply on this news. In late June the Fed was more explicit about its intentions, saying that it expected to slow its rate of monthly purchases by the end of 2013, and cease completely by mid-2014 if the US economy grew as expected. This caused a further setback in equity and – more particularly – bond markets.

3. In early May the European Central Bank reduced its base rate from 0.75% to 0.5% in an effort to stimulate economic growth. The new Governor of the Bank of England, Mark Carney, in one of his first statements, said that the markets' expectation of a rise in interest rates during the next two years was misplaced. He then amplified this guidance in early August by pledging to keep base rate at 0.5% until UK unemployment falls to a level of 7% from its current 7.8%. The Bank's own forecasts do not expect this to happen until mid-2016. He also said, however, that this policy on interest rates would be altered if inflation was threatening to get out of control.

4. News from China has also affected sentiment in markets, most notably in the Pacific and Emerging markets. A weak Manufacturing Purchasing Managers Index reading in May coincided with the Fed's first statement on QE in May, and the June reading was also disappointing. Finally, late in June interbank rates in China rose very sharply as there appeared to be signs of a credit crisis in the banking system. It was only a few days later that the Chinese central bank stepped in to normalise the situation.

5. In Japan, Prime Minister Abe launched the third of his economic 'arrows', this one dealing with structural reform. Observers were initially unimpressed by the lack of detail in the announcement, but his comfortable win in the Upper House election in July has given the LDP and its coalition partner a majority in both Houses of the Diet.

Markets

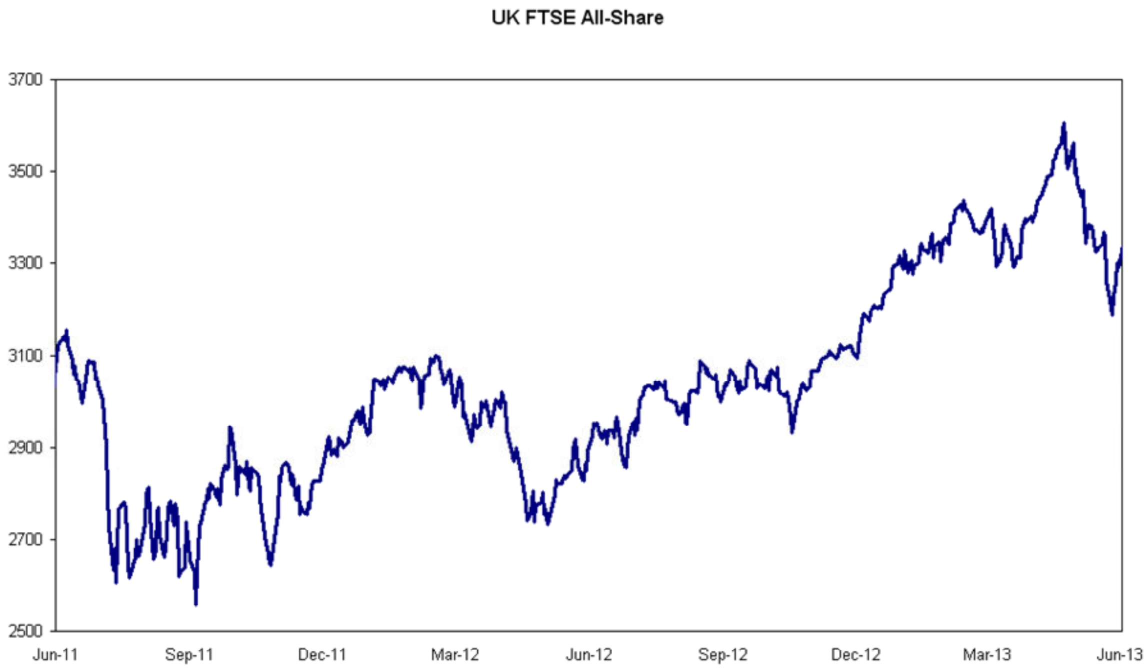
6. **Equities** had advanced steadily during April and May – with several indices reaching their highest levels since 2008 – but the May 22nd news from the Federal Reserve (see paragraph 2) caused a sharp setback everywhere. Most notably, the Japanese equity market fell by 7% the following day, on fears that rising bond yields would inflict heavy losses on the portfolios of regional banks. By the end of June, and after the second statement from the Federal Reserve, most equity markets had surrendered their earlier gains and registered slight losses for the quarter. (See table below).

	Capital return (in £, %) to 30.06.13		
Weight %	**Region**	**3 months**	**12 months**
100.0	**FTSE All-World Index**	**-1.0**	**+18.1**
51.5	FTSE All-World North America	+1.7	+20.8
8.8	FTSE All-World Japan	+4.2	+23.5
12.1	FTSE All-World Asia Pacific ex Japan	-8.4	+9.9
16.3	FTSE All-World Europe (ex-UK)	-1.9	+22.4
7.8	FTSE All-World UK	-4.0	+12.1
9.7	FTSE All-World Emerging Markets	-8.8	+3.9

[Source: FTSE All-World Review, June 2013]

7. Emerging Markets continued to be the weakest region for equities. In part this was caused by the weakness of the Japanese yen, which threatened the competitiveness of exports from, for example, South Korea. The slowdown in China's economy led to a fall in commodity prices, which in turn affected the profitability of commodity producers

in the Emerging Markets. The street protests in Turkey and Brazil in June, followed by the ousting of the Egyptian President in July, reminded investors of the political risks involved in Emerging Markets.



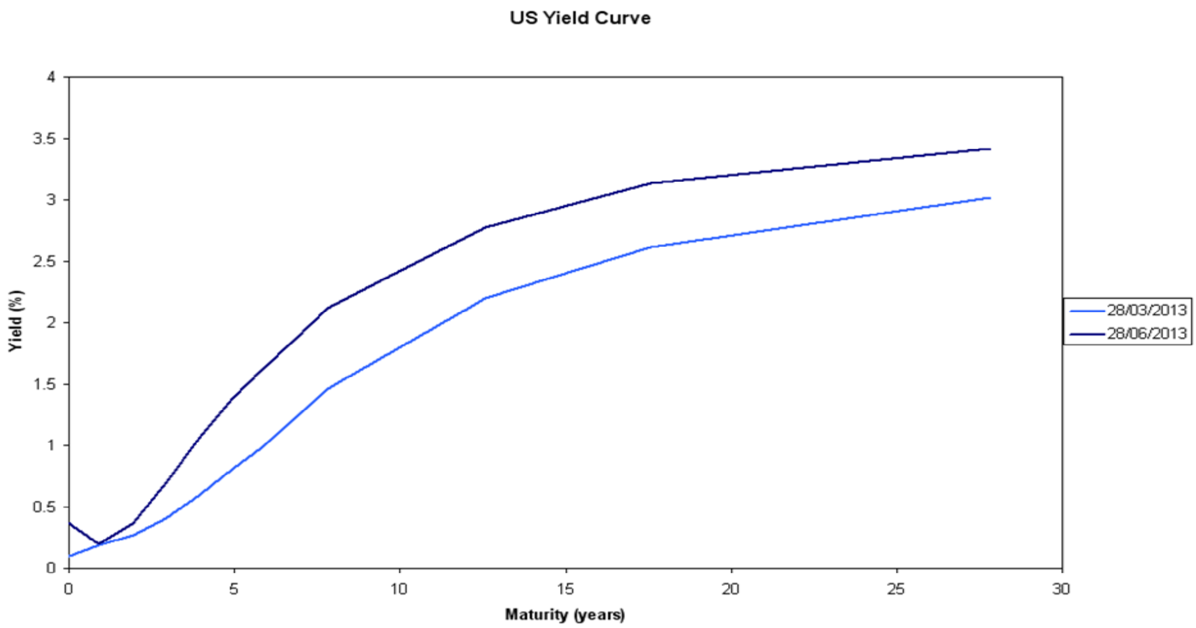
8. Looking at the performance of the different industry groups during the quarter, the weakness of commodity prices inevitably dragged down the Basic Materials sector, which is by far the worst performer over the past 12 months also. The strong rise in the Technology sector during the quarter was driven by the 18% gain from the Software & Computer Services sub-group.

Capital return (in £, %) to 30.06.13		
Industry Group	**3 months**	**12 months**
Health Care	+2.4	+28.5
Financials	-0.6	+27.1
Consumer Services	+1.8	+26.8
Industrials	-0.6	+21.2
Consumer Goods	-0.3	+21.1

FTSE All-World	**-1.0**	**+18.1**
Technology	+7.9	+10.5
Telecommunications	+1.2	+9.9
Utilities	-2.3	+3.9
Oil & Gas	-4.1	+8.4
Basic Materials	-10.8	-4.4

[Source: FTSE All-World Review, June 2013]

9. **Bond markets** fell heavily after the May 22nd Fed announcement, and yields continued to rise for the rest of the quarter. This effect was even more pronounced in the corporate and high-yield bond markets, which had previously been driven to extremely high levels as investors searched for yield. Worries about the peripheral Eurozone bond markets resurfaced when the Portuguese Finance Minister resigned his post after disagreements about the depth of the austerity programme. There was a marked upward shift in US government bond yields at all durations as shown in the graph below.



10. The table below shows that 10-year government bond yields in US, UK and Germany rose by 44 – 64 basis points during the quarter. A rise of 0.5% in the yield on a 10-year bond results in a fall of about 4% in its price.

10-year government bond yields (%)					
	Dec 10	**Dec 11**	**Dec 12**	**Mar 13**	**Jun 13**
US	3.34	1.88	1.76	1.85	2.49
UK	3.39	1.98	1.85	1.78	2.45
Germany	2.92	1.83	1.32	1.29	1.73
Japan	1.12	0.98	0.79	0.57	0.86

[Source: Financial Times]

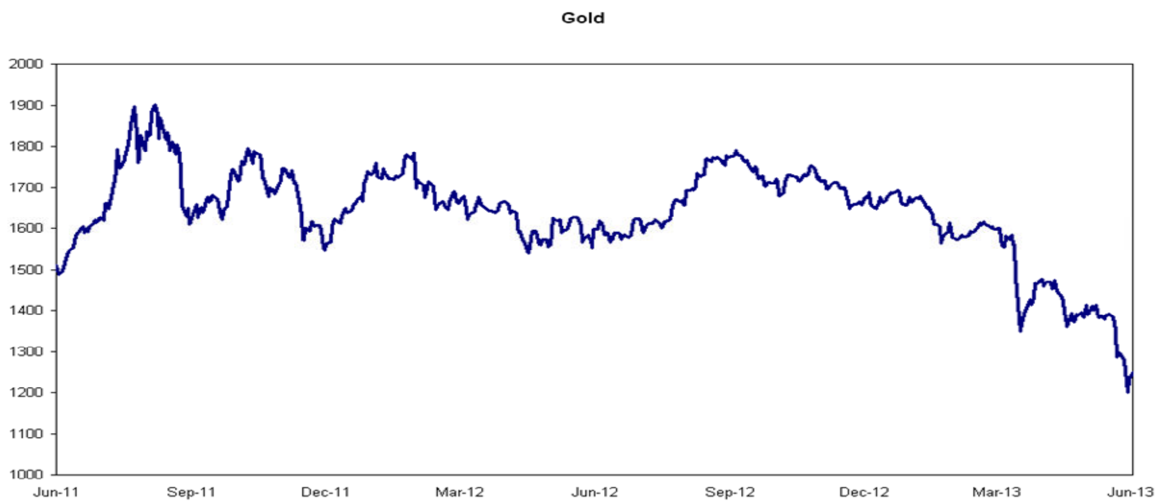
Currencies

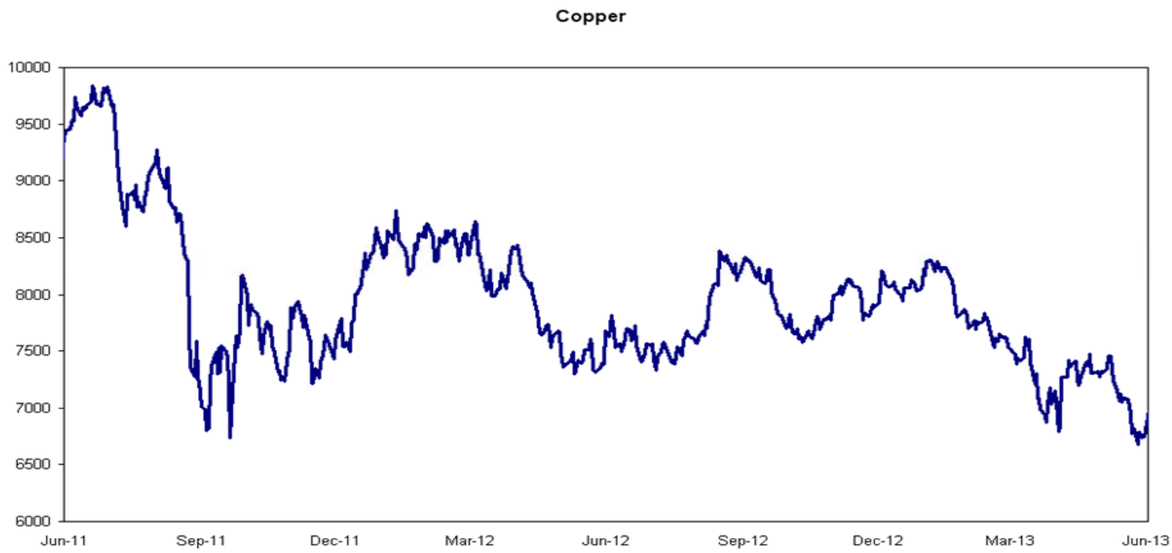
11. The yen continued to weaken against the dollar, crossing the psychologically significant level of 100 per $ in May, and ending the quarter close to this level after fluctuating in the range 95-104 per $. Emerging Market currencies began to weaken on the fall in commodity prices, notably Brazil (-17%), Chile (-14%) and Mexico (-11%) relative to the dollar.

	31.03.13	**30.06.13**	**£ move**
$ per £	1.518	1.517	unch
€ per £	1.182	1.167	- 1.3%
Yen per £ (see graph below)	142.8	150.7	+ 5.5%

Commodities

12. The **gold** price fell 25%, from $1600 to $1200 per oz, during the quarter. The decline was sparked initially by the Federal Reserve's May statement about the likely tapering of QE, as investors saw less need to hold an inflation hedge in the form of gold. The sell-off gathered pace during June, with heavy selling of Exchange Traded Funds (ETFs) used by private investors as a play on the gold price. **Copper** also fell to a 3-year low, on prospects for reduced demand from China. In the **oil** market, the price of Brent Crude fell by some 7% during the quarter.





Property

13. The sluggishness of UK Commercial Property values is shown in the IPD Monthly Index data to end-June. The total return (including rental income) for the 12 months averaged just 4.1%. By sector the total returns were:

Offices	+6.0%
Industrial	+5.4%
Retail	+2.4%

The total return for the second quarter, however, was +1.9% -- which represented a slightly improved rate of growth.

Outlook

14. In July equity markets recovered most of the ground they had lost since the Federal Reserve's first statement on tapering Quantitative Easing on May 22nd. Government bond markets have also stabilised at yields some 0.7% above their lowest levels. Now that investors have become used to the idea that QE by the US will end during 2014, their focus has turned to the outlook for Chinese economic growth. If this can hold above 7.5% this year and next, many of the worst fears for commodities and Emerging Markets will have been allayed. Assuming China maintains this level of growth, I expect equities to trade in their recent range for the remainder of 2013. Bond yields, meanwhile, could move higher if growth in the US brings QE to an earlier end than currently envisaged.

Peter Davies

Senior Adviser – AllenbridgeEpic Investment Advisers

August 12th, 2013

[All graphs sourced from Legal & General Investment Management]

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Agenda Item 12

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Agenda Item 14

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OXFORDSHIRE PENSION FUND
REPORT AND ACCOUNTS 2012/13

Registered Number: PS049/20

CONTENTS

FOREWORD TO THE 2012/13 PENSION FUND REPORT AND ACCOUNTS BY THE ASSISTANT CHIEF EXECUTIVE & CHIEF FINANCE OFFICER

Introduction

2012-13 was another busy year for pensions in the public sector, with the publication of draft Regulations for the New Look Local Government Pension Scheme (LGPS) 2014 as well as the passage of the Public Service Pensions Act 2013 through Parliament, culminating in Royal Assent on 25 April 2013. Much remains to be done before the implementation of the changes from April 2014 and the scale of change both in terms of scheme design and governance arrangements is significant. A lot of work is required during the next 12 months to upgrade systems to cope with the changes, and undertake a widespread communications exercise so that all stakeholders properly understand the changes and the impact they will have on them.

Locally during 2012/13, Wellington took on responsibility for a £150m global equity mandate, and the Fund continued to find opportunities to invest in private equity mandates. The shape of the Fund continued to evolve with the increase in Academy schools. Scheme membership benefitted from the auto-enrolment of just under 1,000 County Council staff under the Government's legislation aimed at driving up numbers of people saving for their retirement (although subsequently around 50% again chose to opt out of the LGPS). The Pension Fund also began the process for appointing a new Custodian to manage the now £1.5bn of assets held by the Fund.

This report sets out in more detail some of the key information with regard to the Pension Fund, including the audited accounts, information on the Fund's investments, the performance of Fund Managers, and the key strategy documents which drive the governance of the Fund.

Background

The Oxfordshire Pension Fund is administered by Oxfordshire County Council. There are now well over 100 employers within the Fund, including 28 Academy Schools. This is a significant increase in employer numbers since over last year when there were just 81 employers with active members. The increase reflects the changing nature of public service delivery, with each new Academy and each new service provider following an out-sourcing of previous Council provided services, forming a new employer within the Fund.

Active numbers at March 2013 were up against the same time last year, partly as a result of the near 1,000 County Council staff auto-enrolled in the Fund in February 2013. Total active members were 19,962. The numbers of pensioners and deferred members have also risen to 12,250 and 19,043 respectively.

Importantly, the Fund remains cash positive, collecting around £1m each month more than it pays out by way of benefits. This allows the Fund to retain an investment strategy which maximises the long term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments.

Investment Performance and Asset Allocation

Investment Performance over the last year was very positive, with an overall return on the Fund of 14.9%. There was double figure growth across all equity allocations including private equity, as well as in index-linked gilts and corporate bonds. UK Gilts, overseas bonds, property and hedge funds all saw much lower levels of growth.

Baillie Gifford continued to outperform strongly, beating their benchmark in 2012/13 by 3.6%, leading to an average 3 year outperformance of 5.9%. This helped the overall Fund's performance over a 3 year period to rise by an average of 9.2% per year, beating the benchmark by 0.2%.

The asset allocation remained largely unchanged over the year, with the main change being the transfer of £150m from the temporary passive global equity mandate to the new active mandate under the management of Wellington.

As noted above, the Fund can maintain its current weighting towards growth assets whilst the cash from contributions exceeds the funds required to meet the payment of pensions. This position is constantly kept under review as the reductions in public expenditure continue to reduce the size of the public sector workforce. Auto-enrolment for the larger employers in the Fund may temporarily lead to further increases in Fund membership. However, the proposed 50:50 option in the New Look LGPS 2014 may lead to a reduction in current contributions, whilst the contribution level increases for all higher paid staff may lead to an increased level of opt outs from April 2014 onwards.

The Future

The proposed changes to the Local Government Pension Scheme to be effective from 1 April 2014 are designed to secure the long term sustainability and affordability of the Scheme. Key challenges over the next year therefore are to review the proposals against this objective, and ensure we are in a position to explain the new scheme to employees to maximise scheme membership, and administer the new arrangements. The scale of the change including the switch from a final salary to a career average scheme, a normal retirement age linked to the state pension age, a new accrual rate of 1/49th compared to the current 1/60th, the introduction of an option to pay half the normal contribution rate in return for half the benefits plus a number of transitional arrangements means this will be no simple challenge.

There will also be the challenge of setting up the new governance arrangements required under the Public Service Pensions Act, including the new Pension Boards which are proposed to comprise equal representation from employers and scheme employees. This challenge will take place against a context of the current Government looking for increased efficiency, cost effectiveness and transparency in the LGPS, and the need to look at closer working or indeed mergers with other LGPS funds.

2013/14 will also see the publication of the next set of Tri-Annual Valuation results and employer contribution rates applicable from April 2014 onwards. April 2014 also sees further changes to the rules on tax relief on pensions, which will result in many more members of the LGPS facing tax bills in the future on their pension contributions

2013/14 therefore promises to be yet another eventful year for the LGPS in Oxfordshire. We look forward to the challenge.

Sue Scane
Assistant Chief Executive & Chief Finance Officer June 2013

Statement of Responsibilities for the Pension Fund

The County Council's Responsibilities

The County Council is required to:

- make arrangements for the proper administration of the financial affairs of the Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For the County Council, that officer is the Assistant Chief Executive & Chief Finance Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Pension Fund Committee has examined the Pension Fund accounts and authorised the Chairman to approve them on its behalf.

The Responsibilities of the Assistant Chief Executive & Chief Finance Officer

The Assistant Chief Executive & Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ('the Code of Practice').

In preparing this Statement of Accounts, the Assistant Chief Executive & Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Assistant Chief Executive & Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Administering Authority	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
Administrator	Assistant Chief Executive & Chief Finance Officer
Pension Fund Committee County Council Members 2012/13 Membership	Cllr David Harvey (Chairman) Cllr Bill Service (Deputy Chairman) Cllr Jean Fooks Cllr Stewart Lilly Cllr Charles Shouler Cllr Roy Darke Cllr Sandy Lovatt
Representatives of District Councils	Cllr Richard Langridge (WODC) Cllr Jerry Patterson (VOWHDC)
Beneficiary Observer	Paul Gerrish (from June 2012)
Independent Investment Adviser	Peter Davies AllenbridgeEpic Investment Advisers Limited
Fund Managers	Adams Street Partners Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management UBS Wealth Management Wellington Management
Actuary	Graeme Muir FFA and Alison Hamilton FFA Barnett Waddingham LLP
Auditor	Ernst & Young LLP
AVC Provider	Prudential Assurance Company Ltd
Corporate Governance & Socially Responsible Investment Service	ISS
Custodian	BNY Mellon
Performance Management	WM Performance Services

MEMBERS, MANAGERS & ADVISORS

HOW THE SCHEME OPERATES

♦ Legal Framework

The Local Government Pension Scheme is a statutory, funded final salary pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2007 [as amended] (effective from April 2008). The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to be employers in the Scheme. A recent scheme amendment enables the Academy Schools to be a full employer in the scheme in their own right. A list of all those bodies with employees currently participating in the Scheme is shown on pages 8 to 10.

This defined benefit scheme provides benefits related to salary for its members and the benefits are unaffected by the investment return achieved on the Scheme's assets. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. Since 2011 the amount is based the Consumer Price Index (CPI).

Pension Investment and Administration is governed by Her Majesty's Customs and Revenue Office (HMRC) setting out personal maximum values of benefit and reporting structures for schemes.

♦ Contributions

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested.

The contribution from employees is prescribed by statute at rates between 5.5% and 7.5% of whole time equivalent pensionable earnings.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects an employer experience, the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level projected over twenty five years.

Contribution rates for 2012-13 were based on the completed valuation of the Scheme's financial position as at 31 March 2010 and are shown on pages 8 to 10. The results of the next actuarial valuation, taking place in 2013 will coincide with the introduction of major scheme changes to reflect the outcome of the Hutton Report and required government savings, to be operational from April 2014.

♦ Benefits

The benefits payable under the Scheme are laid down by the 2007 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'final salary' scheme and provides a pension as a proportion of final salary according to the length of service. A Summary of Benefits is shown on pages 56 to 58.

Overriding legislation

The LGPS exists within rules laid down by HMRC. These provide time limits for benefit payments and also on the member limits to the amount of pension built up within a year and within a lifetime. At retirement a member has to declare any other benefits, not just from the LGPS but all pension provision, to ensure all benefits are within this limit. A tax charge is imposed if this limit is exceeded or if the member fails to make the declaration. Members can convert a portion of their annual pension to provide a larger tax free lump sum at retirement.

The limits an individual can build up in a year and a lifetime are set by HMRC with additional reporting timetables for fund administration.

♦ Internal Dispute Procedure

The first stage of a dispute is, generally, looked at by the claimants' employer. The second stage referral is to the County Council and the Nominated Person. For information please contact the Pension Services Manager.

PARTICIPATING EMPLOYERS

Scheduled Bodies	Contribution Rate: Payroll % 2012/13	Contribution Rate: Additional Monetary Amount 2012/13
Aspirations Academy Trust	19.3	-
Abingdon Town Council	15.1	£11,800
Abingdon & Witney College	14.4	£81,000
Banbury Town Council	15.1	£10,800
Bartholomew School Academy	19.3	-
Benson Parish Council	15.1	£1,100
Berinsfield Parish Council	15.1	£400
Bicester Town Council	15.1	£8,100
Burford School	20.0	-
Carterton Town Council	15.1	£3,300
Cherwell District Council	13.9	£1,005,000
Cherwell School Academy	19.3	-
Chalgrove Parish Council	*	-
Cheney Academy School	19.3	-
Chinnor Parish Council	15.1	£2,200
Chipping Norton School Academy	19.3	-
Chipping Norton Town Council	15.1	£1,500
Cumnor Parish Council	15.1	£400
Didcot Girls' Academy	19.3	-
Didcot Town Council	15.1	£9,000
Europa School	19.3	-
Eynsham Parish Council	15.1	£600
Faringdon College Academy	19.3	-
Faringdon Town Council	15.1	£2,400
Gillots School Academy	19.3	-
Gosford Hill Academy School	19.3	-

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2012/13	Contribution Rate: Additional Monetary Amount 2012/13
Hanborough Parish Council	15.1	-
Henry Box School	19.3	-
Hanwell Fields Academy	19.3	-
Henley College	14.6	£54,000
Henley-on-Thames Town Council	15.1	£9,700
Isis Academy School	19.3	-
Kidlington Parish Council	15.1	£7,100
King Alfred's Academy	19.3	-
Langtree School Academy	19.3	-
Lord Williams School	19.3	-
Littlemore Parish Council	*	-
Malborough CE VC School	19.3	-
Marcham Parish Council	15.1	£400
North Hinksey Parish Council	*	-
Northern House School	19.3	-
North Oxfordshire Academy	13.1	£33,000
Old Marston Parish Council	15.1	£300
Oxford Brookes University	18.5	-
Oxford City Council	20.2	-
Oxford & Cherwell College	13.9	£126,000
Oxfordshire County Council	19.3	-
Oxford Diocesan Trust	19.3	-
Oxford Spires Academy	14.5	£32,700
Radley Parish Council	*	-
Risinghurst & Sandhills Parish Council	*	-
Rotherfield Greys Parish Council	15.1	£100

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS (continued)

Admitted Bodies	Contribution Rate: Payroll % 2012/13	Contribution Rate: Additional Monetary Amount 2012/13
Rotherfield Peppard Parish Council	15.1	£200
Propeller Academy Trust	19.3	-
Rush Common School Academy	19.3	-
Sonning Common Parish Council	15.1	-
South Oxfordshire District Council	13.3	£350,000
St Birinus Academy	19.3	-
Sutton Courtenay Parish Council	15.1	£600
Thame Town Council	15.1	£12,200
The Oxford Academy	14.9	£36,000
Vale of White Horse District Council	14.5	£520,000
Wallingford School Academy	19.3	-
Wallingford Town Council	15.1	£7,000
Wantage Town Council	*	-
West Oxfordshire District Council	14.4	£430,000
Wheatley Parish Council	15.1	£600
Whitchurch Parish Council	*	-
Witney Town Council	15.1	£12,400
Woodstock Town Council	15.1	£1,000
Admitted Bodies		
A2 Dominion	13.7	£54,000
Abingdon Citizens' Advice Bureau	13.7	£1,000
Allied Healthcare	19.3	-
Atkins Global	14.6	-
Banbury Citizens Advice Bureau	13.7	£2,000
Banbury Homes	13.7	£3,000
Barnardos	19.3	-
CAPITA (Vale)	14.1	£21,000
Capita Symonds Ltd	19.3	-

Admitted Bodies (cont)	Contribution Rate: Payroll % 2012/13	Contribution Rate: Additional Monetary Amount 2012/13
Care Outlook Ltd	19.3	-
Carillion (AMBS) Ltd	19.3	-
CfBT Career Service	16.2	£9,000
Charter Community Housing	15.1	£79,000
Community Voice	19.3	-
Connexions	19.3	-
Cottsway Housing Association	14.1	£231,000
Elmore Community Services	13.7	£3,000
Fusion Lifestyle	20.2	-
Home Farm Trust - South & Vale 1 Contract	19.3	-
Home Farm Trust - South & Vale 2 Contract	19.3	-
Leonard Cheshire Disability	19.3	-
Nexus Community	14.4	-
Order of St John's Care Trust	19.3	-
Oxford Archaeological Unit	13.7	£118,000
Oxford Citizens' Housing Association	19.3	-
Oxford Community Work Agency	13.7	£7,000
Oxford Health NHS Foundation Trust	19.3	-
Oxford Health NHS Foundation Trust (Reablement)	19.3	-
Oxford Homeless Pathways	13.7	£15,000
Oxford Inspires	13.1	£5,000
Oxfordshire Community Foundation	13.7	£1,000
Oxfordshire Council for Voluntary Action	13.7	£3,000
Oxfordshire Youth Arts Partnership	13.7	£3,000
Reading Quest	*	-
RM Education	12	£1,400
SOLL Vale	15.8	£7,000
Sovereign Vale	21.1	-

PARTICIPATING EMPLOYERS (continued)

Admitted Bodies (cont)	Contribution Rate: Payroll % 2012/13	Contribution Rate: Additional Monetary Amount 2012/13
Stonham Services	13.7	£3,000
Swalcliffe Park School Trust	13.7	£41,000
Thames Valley Partnership	13.7	£6,000
The Camden Society - City 1 Contract	19.3	-
The Camden Society - City 2 Contract	19.3	-
The Camden Society - North Contract	19.3	-
The Camden Society - West Contract	19.3	-
United Sustainable Energy Authority	14.8	£7,000
West Oxon Citizens' Advice Bureau	13.7	£5,000

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* No active members at the date of the last valuation (31 March 2010). A contribution rate will be advised by the actuary at the date an active member joins the fund.

Investment Review 2012/13

Economic Background

GDP growth in 2012 was in line with mid-year forecasts, except for a disappointing UK which recorded no growth for the year. The US and Japan each grew by 2%, and China by 8%, but the Eurozone economies contracted by 0.5%. Forecasts for 2013 show an improvement for the UK, and similar numbers to 2012 elsewhere, but these remain below the longer-term trend rates of growth.

Within the Eurozone, fears that Greece would leave the euro – and worries about the situation in Spain and Italy – were alleviated by the European Central Bank (ECB) President Mario Draghi's statement in July that he would do "whatever it takes" to preserve the euro. This was backed up by the launch of the ECB's Outright Monetary Transactions (OMT) policy, under which the ECB would buy shorter-dated government bonds provided the government in question had requested help and agreed to the imposition of fiscal conditions. The policy has not yet been activated, but the yields on Spanish and Italian sovereign bonds have fallen significantly. Elections in Holland and Italy have shown strong support for the anti-austerity candidates, which casts doubt on the political acceptability of further austerity measures. In the UK, the Chancellor has had to admit that his deficit reduction targets will not be met until at least two years later than planned.

The US Federal Reserve has continued its programme of Quantitative Easing, but the Bank of England's programme is in abeyance. The new Japanese Prime Minister, Shinzo Abe, has overhauled economic policy – announcing a 2% inflation target, fiscal stimulus and structural reforms – while the Bank of Japan intends to double the money supply in the next two years. This has caused a sharp fall in the yen since November, but an even sharper rise in Japanese equities.

Market Returns

Equity markets began to gain ground in the autumn of 2012, and rose strongly in the first quarter of 2013 as fears regarding a Eurozone breakup and the likelihood of a 'fiscal cliff' in the US subsided. Developed Market equities gave total returns of 15-20% (in £) for the year to March, but returns from Emerging Market equities once again lagged behind. 'Safe haven' government bonds continued to be in demand: 10-year yields fell to below 2% in the US and UK, and below 1.5% in Germany. Peripheral sovereign bonds rose after the ECB statement, and corporate bonds also recorded good gains as their spreads relative to government bonds narrowed.

The Oxfordshire County Council Fund achieved a total return of 14.9% for the year, which was in line with the return on its benchmark.

Outlook

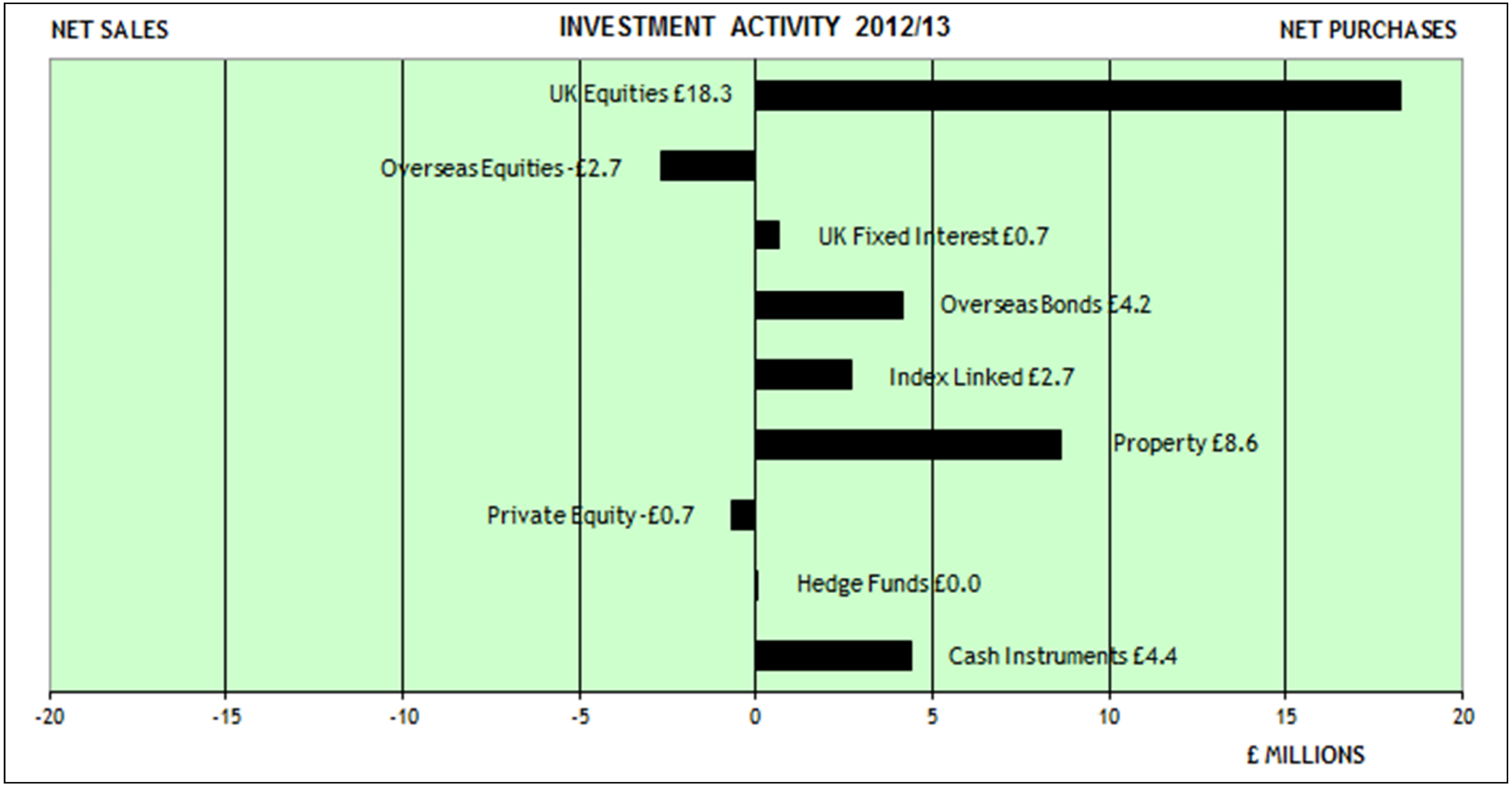
The surge in equity prices in the early months of 2013 has taken most regional indices above their 2007 peaks, and in some cases to all-time highs. Meanwhile yields on government bonds are still being held down by the substantial programmes of Quantitative Easing being run by Central Banks. In time this flow of money will abate, and then the current levels of equity and bond markets will be tested in the light of the outlook for economic growth, corporate profits and inflation.

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2013.

SECTOR		INDEX	% Total Returns Year to 31.3.13
Equities	Global	FTSE All World	17.1
	UK	FTSE Actuaries All Share	16.8
	North America	FTSE North American Developed	19.3
	Japan	FTSE Japan Developed	14.3
	Europe	FTSE Europe (ex UK) Developed	17.8
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	20.0
	Emerging Markets	FTSE Emerging Markets	7.6
Bonds	UK Government	FTSE Government UK Gilts All Stocks	5.2
	UK Index-Linked	FTSE Government Index- Linked (over 5 years)	11.7
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	12.0
	Overseas	JP Morgan Traded WXUK	4.5
Cash	UK	7 DAY £ LIBID INDEX	0.4
Property	UK Commercial	IPD (HSBC) All Balanced Funds Index	1.0

- **Investment Activity**

The Pension Fund invested a net £35 million during the year ended 31 March 2013. The amounts invested or disinvested in each principal category of asset are shown in the chart below.



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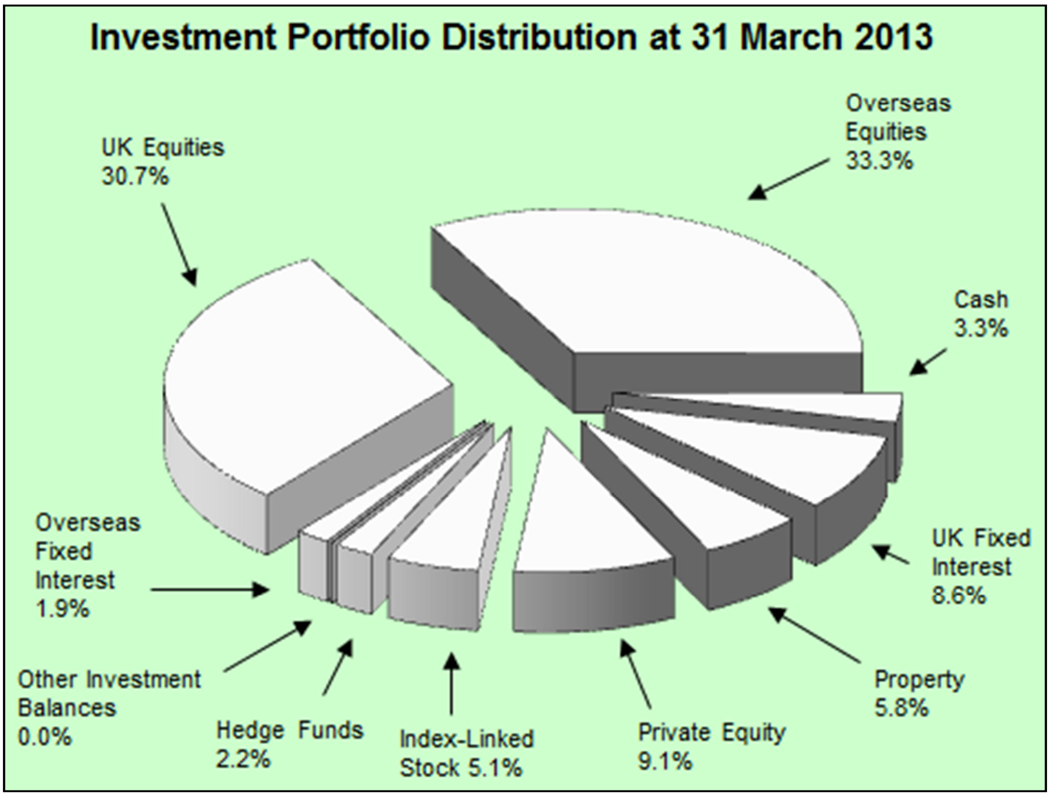
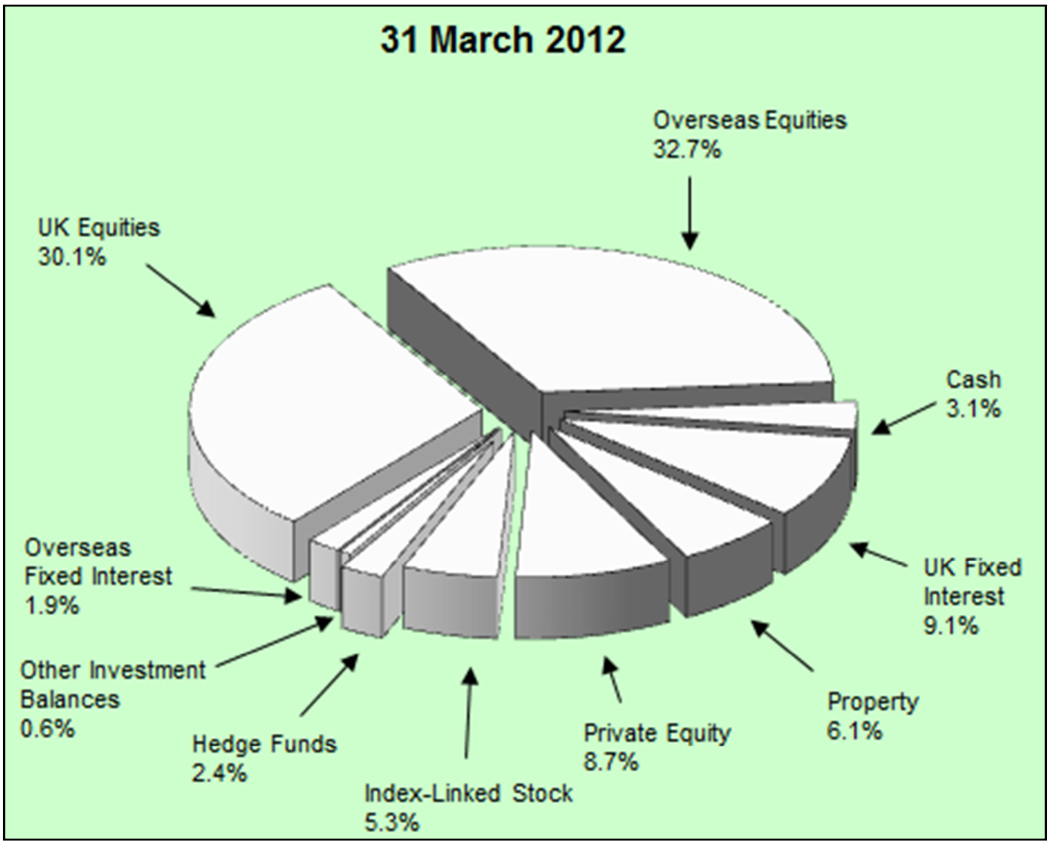
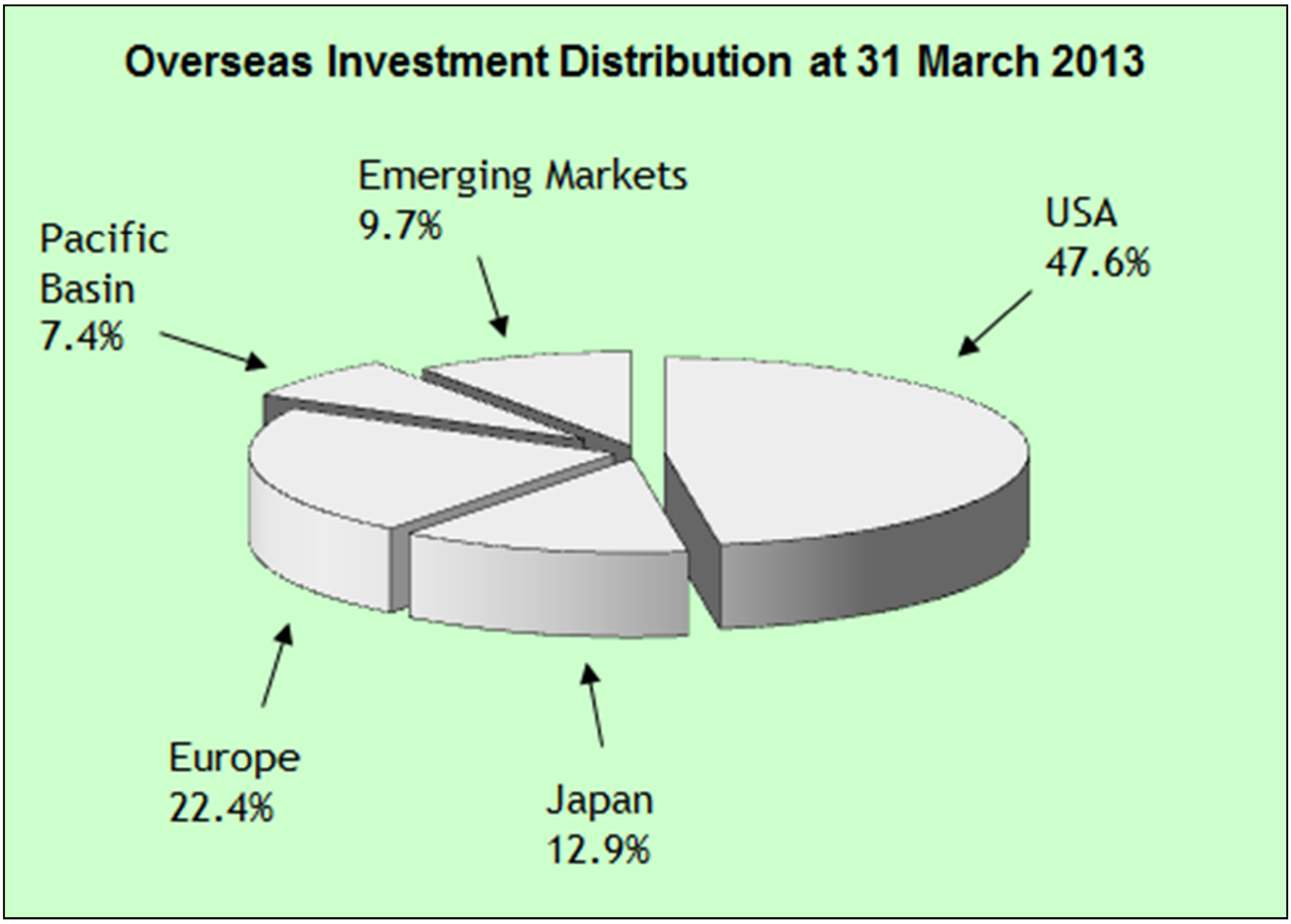
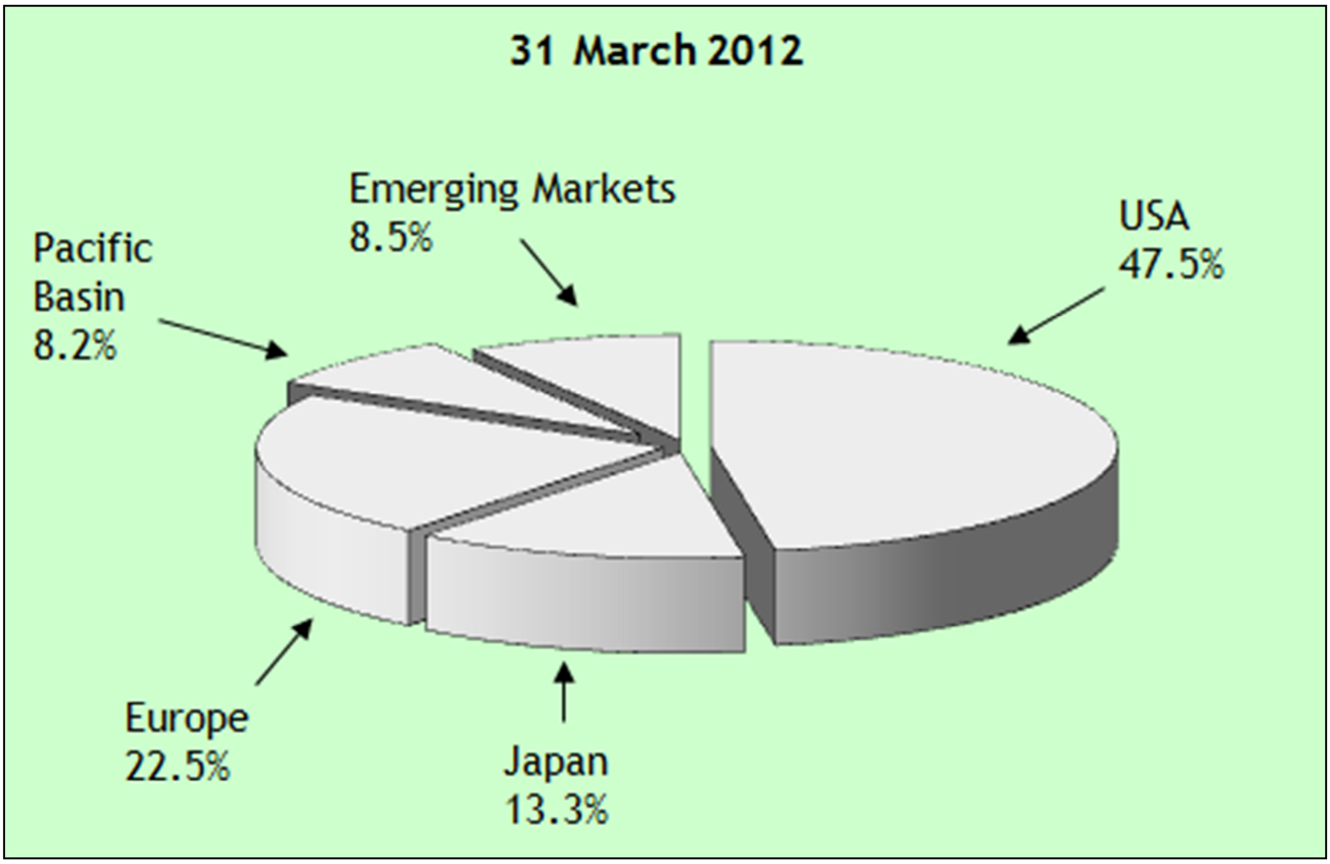
Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2013 is shown in the chart below. A comparative chart of the position at 31 March 2012 is also shown. The two further charts show the distribution of overseas investments at 31 March 2013 and 31 March 2012. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

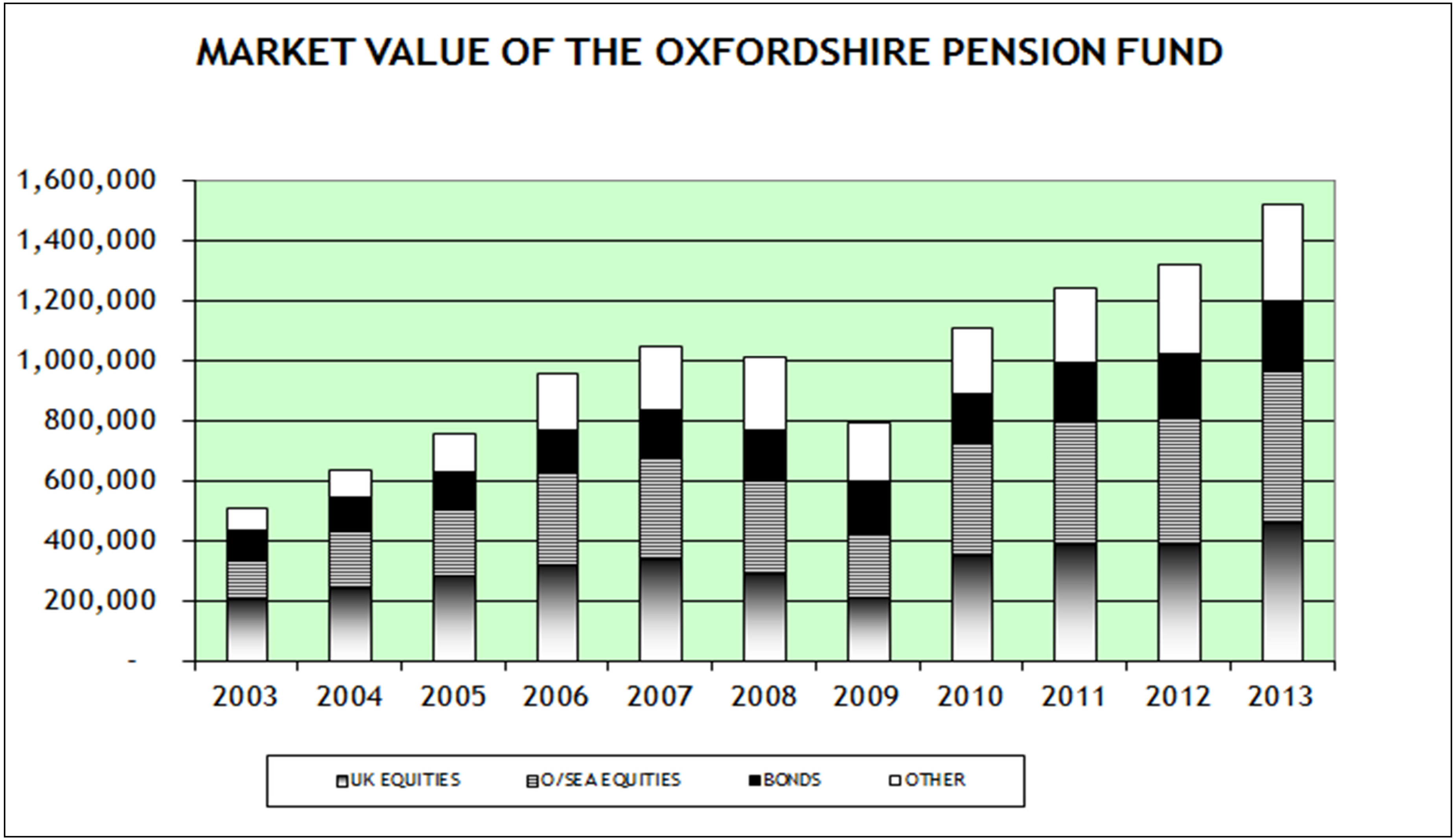





Overseas Investment Distribution at 31 March 2013
Emerging Markets
9.7%
USA
47.6%
Pacific
Basin
7.4%
Europe
22.4%
Japan
12.9%


31 March 2012
Emerging Markets
8.5%
USA
47.5%
Pacific
Basin
8.2%
Europe
22.5%
Japan
13.3%

Portfolio Asset Allocation over the Ten Years to March 2013
The total assets of the Pension Fund have grown from £510 million at end of March 2003 to £1,524 million at end of March 2013 (see chart below). Over the period the percentage in UK equities decreased from 40.2% to 30.3% and bonds decreased from 19.5% to 15.5%



Note: In 2008 the basis of valuation changed from mid-price to bid-price

♦ Investment Benchmark and Performance

2012/13 saw the conclusion of the switch in global equity Manager, a process initiated by the Pension Fund Committee in March 2011 when they sacked the previous Manager. Just over £150m was transferred to Wellington at the beginning of September 2012, with the remaining £100m from the previous mandate remained with Legal & General to manage on a passive basis. There were no other significant changes to the strategic asset allocation during 2012/13. During the year officers meet quarterly to consider the allocation of assets, rebalancing where appropriate after consultation with the Independent Financial Adviser and the Chairman of the Committee.

The Fund uses WM Performance Services to independently measure investment performance. Investment performance returns for all of the Oxfordshire Pension Fund's managers and at the total fund level are reported quarterly to the Pension Fund Committee. A representative from the WM Company also gives an annual presentation to the Committee each August. The table below provides details of the Pension Fund's one and three year investment returns, on an annualised basis, for each asset class.

The tables indicate that performance in 2012/13 was in line with benchmark showing overall returns of 14.9%. The table shows the range of returns across the different asset classes, and the volatility between returns over 1 and 3 years. Performance over 3 years was 0.2% above benchmark, a reversal of the position at the end of March 2012, when 3 year performance was 1.0% below benchmark. The three year figure benefitted in particular from improved performance on both UK equities and private equity.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended 31 March 2013		Three Years Ended 31 March 2013	
		Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %
UK Equities	28.8	16.8	19.1	8.8	12.5
Overseas Equities	19.8	17.2	14.1	8.2	5.4
* Global Equities	14.4	17.1	17.0	8.2	7.0
UK Gilts	3.0	5.2	4.2	8.2	7.3
Index Linked Gilts	5.0	11.7	12.2	13.0	14.1
Overseas Bonds	2.0	3.8	5.3	4.5	5.1
Corporate Bonds	6.0	12.0	11.6	8.6	9.3
Property	8.0	1.0	1.6	5.2	5.7
Private Equity	10.0	24.5	23.1	12.6	15.5
Hedge Funds	3.0	3.7	3.6	3.8	2.8
† Cash	0.0	-	2.2	-	1.1
Total Fund		**14.9**	**14.9**	**9.0**	**9.2**

* The Global Equity benchmarks have assumed a 10% allocation to UK Equities. In practice the actual allocation will continuously fluctuate.
† Cash includes cash held by Fund Managers

The performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a three year rolling period. The figures highlight the particularly strong performance of Baillie Gifford over recent years in their management of a UK equity mandate. Over the 3 years to March 2013, they were 5.9% above benchmark. As noted above, Wellington only received funding in September 2012 so have yet to complete a full year's set of results. The Committee remain concerned about the performance figures for UBS across both global equities and hedge funds and keep these areas under close scrutiny.

Fund Manager	Target %	One Year Ended 31 March 2013		Three Years Ended 31 March 2013	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Baillie Gifford UK Equities	1.3	16.8	20.4	8.8	14.7
Wellington Overseas Equities	2.0	-	-	-	-
UBS Overseas Equities	1.0	17.2	14.5	7.1	5.6
Legal & General UK Equities - Passive	n/a	15.4	15.5	7.9	8.0
Legal & General Ex UK Equities - Passive	n/a	17.6	17.6	-	-
Legal & General In UK Equities - Passive	n/a	-	-	-	-
Legal & General Fixed Income	0.6	9.8	9.7	9.5	9.9
UBS Property	1.0	1.0	1.2	5.2	5.1
Partners Grp Property	Excess	1.0	6.4	5.2	9.7
Private equity	1.0	24.5	23.1	12.6	15.5
UBS Hedge Funds	Excess	3.7	3.6	3.8	2.8
Cash	n/a	0.4	1.5	0.4	1.4
Total Fund		**14.9**	**14.9**	**9.0**	**9.2**

Cash held by Fund Managers is included within total Fund Manager performance.

Further investment performance details comparing the Oxfordshire Pension Fund with other local authority funds and indices are shown in the table below:-

% Returns per annum for the financial year ended 31 March 2013				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	14.9	9.2	6.1	9.0
Average Returns and other Comparators				
WM Local Authority Average Return	13.8	8.1	6.5	9.4
Oxfordshire Benchmark	14.9	9.0	7.3	9.7
Retail Price Index	3.3	4.1	3.2	3.3
Average Earnings	-0.1	1.0	1.7	3.4

*The five and ten year benchmark figures are a composite of the current customised benchmark and the previously used peer group benchmark.

Fund Account for the Year Ended 31 March 2013			
	Notes	2013 £'000	2012 £'000
Contributions and Benefits			
Contributions Receivable	7	(78,406)	(102,349)
Transfers from Other Schemes	8	(5,769)	(6,725)
Other Income	9	(528)	0
Income Sub Total		**(84,703)**	**(109,074)**
Benefits Payable	10	65,846	68,041
Payments to and on Account of Leavers	11	4,215	6,132
Administrative Expenses Borne by the Scheme	12	1,438	1,360
Other Expenses	9	0	2,748
Expenditure Sub Total		**71,499**	**78,281**
Net Additions from dealings with members		**(13,204)**	**(30,793)**
Returns on Investments			
Investment Income	13	(17,850)	(21,855)
Commission Recapture		(1)	0
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	17a	(175,818)	(21,534)
Less Investment Management Expenses	14	3,032	2,159
Less Taxes on Income	13	87	135
Net returns on Investments		**(190,550)**	**(41,095)**
Net Increase in the Net Assets Available for Benefits During the Year		**(203,754)**	**(71,888)**
Opening Net Assets of the Scheme		1,319,994	1,248,106
Closing Net Assets of the Scheme		**1,523,748**	**1,319,994**

Net Assets as at 31 March 2013			
	Notes	2013 £'000	2012 £'000
Investment Assets			
Fixed Interest Securities	17b	65,628	142,416
Index Linked Securities	17b	77,416	68,246
Equities	17b	455,489	231,167
Pooled Investments	17b	676,896	652,936
Pooled Property Investments	17b	86,589	78,731
Private Equity	17b	90,881	72,736
Derivative Contracts	17b	813	932
Cash Deposits	17b	8,995	3,172
Other Investment Balances	17b	4,247	10,687
Investment Liabilities			
Derivative Contracts	17c	(55)	(20)
Other Investment Balances	17d	(5,742)	(3,215)
Total Investments		**1,461,157**	**1,257,788**
Assets and Liabilities			
Current Assets	18	50,966	47,212
Current Liabilities	19	(2,505)	(1,471)
Net Current Assets		**48,461**	**45,741**
Long-Term Assets	20	14,130	16,465
Net Assets of the scheme available to fund benefits at year end		**1,523,748**	**1,319,994**

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2012/13 Annual Report and in the underlying statutes.

General

The Oxfordshire County Council Local Government Pension Fund is a statutory, funded final salary pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme is principally governed by the Superannuation Act 1972. The fund is administered in accordance with Local Government Pension Scheme Regulations. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State.

There were no significant changes to the asset allocation of the fund during 2012/13. As planned, during the year the full balance of £153m that was being held in a transition fund with Legal & General on a pooled basis was transferred to Wellington International Management to form a new active global equities portfolio.

Membership

Members are made up of three main groups. Firstly, the contributors - those who are still working and paying money into the Fund. Secondly, the pensioners - those who are in receipt of a pension and thirdly, by those who have left their employment with an entitlement to a deferred benefit on reaching pensionable age.

Organisations participating in the Oxfordshire County Council Pension Fund include:

- Scheduled Bodies – Local Authorities and similar bodies, such as Academies, whose staff are automatically entitled to become members of the fund.
- Admitted Bodies – Organisations that participate in the fund under an admission agreement between the fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Admitted Bodies can be split in to two groups:
  - Community Admission Bodies – these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the fund. Housing Corporations fall under this category.
  - Transferee Admission Bodies – these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer in certain circumstances. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

Full definitions are contained in The Local Government Pension Scheme (Administration) Regulations 2008.

The table below details the composition of the Fund's membership:

	As at 31 March 2013	As at 31 March 2012
Number of Contributory Employees in Scheme		
Oxfordshire County Council	12,070	12,599
Other Scheduled Bodies	6,657	5,241
Admitted Bodies	1,235	742
	19,962	**18,582**
Number of Pensioners and Dependants		
Oxfordshire County Council	7,219	6,863
Other Scheduled Bodies	4,395	4,244
Admitted Bodies	636	576
	12,250	**11,683**
Deferred Pensioners		
Oxfordshire County Council	12,721	12,214
Other Scheduled Bodies	5,512	5,207
Admitted Bodies	810	803
	19,043	**18,224**

Nineteen Scheduled Bodies, of which seventeen are Academies and two are Parish Councils, plus ten Admitted Bodies joined the scheme in 2012/13. There was no significant impact on the membership of the scheme because the majority of the new bodies are Academies, whose members were previously in the scheme as County Council employees. Scheme membership of other new bodies is small.

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2013 rates ranged from 5.5% to 7.5% of whole time equivalent pensionable earnings.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The next actuarial valuation is to take place in 2013.

Benefits

The benefits payable under the Scheme are laid down by the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 and are summarised in the following table. Pension payments are guaranteed and any shortfall is met through the Pension Fund through employer contribution rates set by the fund valuation. The Scheme is a 'final salary' scheme and provides a pension as a proportion of final salary according to the length of service.

The scheme also provides a range of other benefits including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. The Government announced in June 2010 that the basis of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

	Service Pre 1 April 2008	**Service Post 31 March 2008**
Pension	Each full-time year worked is worth 1/80 × final pensionable salary.	Each full-time year worked is worth 1/60 × final pensionable salary.
Lump Sum	Automatic lump sum of 3 × salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in Note 24.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 54.

Note 3 – Summary of Significant Accounting Policies

Investments

1. Investments are shown in the accounts at market value, which has been determined as follows:

   (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2013.

   (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information;

(c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

(d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2013.

(e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).

(f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Foreign Currencies

2. Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid.

   Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

   The Actuary at his triennial valuations of the Fund's assets and liabilities determines the employers' rate for contributions. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

Benefits, Refunds of Contributions and Transfer Values

4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on the basis of the date when agreements were concluded.

   In the case of inter-fund adjustments provision has only been made where the amount payable or receivable was known at the year-end. Group transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within ‘Change in Market Value’. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2013.

Investment Management and Scheme Administration

6. A proportion of relevant County Council officers’ salaries, including salary oncosts, have been charged to the Fund on the basis of time spent on scheme administration and investment related business. The fees of the Fund’s general investment managers have been accounted for on the basis contained within their management agreements. Investment management fees are accounted for on an accruals basis.

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

8. Cash held in bank accounts and other readily accessible cash funds is classified under cash balances as it is viewed that these funds are not held for investment purposes but to allow for effective cash management. Cash that has been deposited for a fixed period and has been placed as such as an investment decision has been included under cash deposits.

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2013 was £45.497m (£39.450m at 31 March 2012).

Pension Fund Liability

The pension fund liability is calculated every three years by the funds actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 28. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:-

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £2,305m. There is a risk that this figure is under, or overstated in the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £45.497m. There is a risk these investments are under, or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Fund investments are valued based on the sum of the fair values provided by the administrators of the underlying funds, plus adjustments that directors of the fund of funds deem appropriate. As these investments are not publicly listed there is a degree of estimation	The total value for Fund of Funds Hedge Funds included in the financial statements is £32.842m. There is a risk that these investments could be under, or overstated in the accounts.

	involved in the valuation.	

Note 6 – Events After the Balance Sheet Date

There have been no events since 31 March 2013, up to the date when these accounts were signed, which require any adjustments to these accounts.

Note 7 – Contributions

	2012/13 £'000	2011/12 £'000
Employers		
Normal	(41,381)	(41,769)
Augmentation	0	(26)
Deficit Funding	(16,523)	(37,858)
Costs of Early Retirement	(1,831)	(3,527)
	(59,735)	(83,180)
Members		
Normal	(18,321)	(18,694)
Additional *	(350)	(475)
	(18,671)	(19,169)
Total	**(78,406)**	**(102,349)**

Deficit funding contributions are being paid by the employers into the scheme in accordance with a 25 year recovery plan, with the exception of one employer who has a 12 year recovery plan.

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 24.

	Employer Contributions		Members Contributions	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Oxfordshire County Council	(31,967)	(35,662)	(9,819)	(10,907)
Scheduled Bodies	(22,845)	(43,015)	(7,483)	(6,900)
Resolution Bodies	(607)	(530)	(198)	(196)
Community Admission Bodies	(3,087)	(3,131)	(790)	(954)
Transferee Admission Bodies	(1,229)	(842)	(381)	(212)
Total	**(59,735)**	**(83,180)**	**(18,671)**	**(19,169)**

Note 8 – Transfers In

	2012/13 £'000	2011/12 £'000
Group Transfers In from other schemes	0	(131)
Individual Transfers In from other schemes	(5,769)	(6,594)

Total	(5,769)	**(6,725)**

Note 9 – Other Income and Expenses

Other Income for 2012/13 of £0.528m reflects the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. In 2011/12 there were £2.748m of Other Expenses which related to the difference between the cash payments due and the value of these payments on a discounted cash-flow basis in relation to transfers to Magistrates' Courts (see note 20 for further details).

Note 10 - Benefits

	2012/13 £'000	2011/12 £'000
Pensions Payable	52,673	47,843
Lump Sums - Retirement Grants	11,593	18,513
Lump Sums - Death Grants	1,580	1,685
Total	**65,846**	**68,041**

	Pensions Payable		Lump Sums	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Oxfordshire County Council	26,281	23,599	7,045	11,873
Scheduled Bodies	23,577	21,698	4,653	6,429
Resolution Bodies	430	399	56	44
Community Admission Bodies	1,742	1,656	831	1,108
Transferee Admission Bodies	643	491	588	744
Total	**52,673**	**47,843**	**13,173**	**20,198**

Note 11 – Payments to and on account of leavers

	2012/13 £'000	2011/12 £'000
Refunds of Contributions	6	18
Payments for members joining state scheme	(5)	(4)
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	4,214	6,118
Total	**4,215**	**6,132**

Note 12 – Administrative Expenses

	2012/13 £'000	2011/12 £'000
Employee Costs		
- Administrative	697	727
- Investment	178	184
Support Services Including ICT	67	52
Actuarial Fees	17	35
External Audit Fees	48	24
Internal Audit Fees	14	14
Printing & Stationary	34	28
Advisory & Consultancy Fees	50	56
Other	333	240
Total	**1,438**	**1,360**

Note 13 – Investment Income

	2012/13 £'000	2011/12 £'000
Fixed Interest Securities	(2,071)	(6,258)
Index Linked Securities	(1,593)	(2,119)
Equity Dividends	(10,030)	(9,081)
Pooled Property Investments	(2,976)	(2,913)
Pooled Investments – Unit Trusts & Other Managed Funds	0	(364)
Interest on Cash Deposits	(287)	(241)
Private Equity Income	(861)	(832)
Other – Securities Lending	(32)	(47)
	(17,850)	**(21,855)**
Irrecoverable Withholding Tax - Equities	**87**	**135**
Total	**(17,763)**	**(21,720)**

Note 14 – Investment Management Expenses

	2012/13 £'000	2011/12 £'000
Management Fees	2,858	2,104
Custody Fees	76	42
Performance Monitoring Service	13	13
Other	85	0
Total	**3,032**	**2,159**

Investment Manager & Custody Fees are mostly calculated on a fixed sliding scale basis and are applied to the market value of the assets managed.

Note 15 – Securities Lending

In April 2004 the Fund introduced an arrangement with its custodian BNY Mellon to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.032m in 2012/13 (2011/12 £0.047m). This is included within investment income in the Pension Fund Accounts. At 31 March 2013 £22.999m of stock (1.51% of the Fund) was on loan, for which the Fund was in receipt of £23.723m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

Note 16 – Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Pension Fund or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Pension Fund.

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the Pension Fund. During 2012/13 the Committee consisted of seven County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.056m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2012/13 £'000	**2011/12 £'000**
Short Term Benefits	47*	44
Long Term/Post Retirement Benefits	9	9
Total	**56**	**53**

*Includes allowance paid to Chairman of Pension Fund Committee

These figures represent the relevant proportion of the salary and employer pension contributions for the key Council staff, reflecting their work for the Pension Fund.

As the County Council is the designated statutory body responsible for administrating the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2013, employer contributions to the Pension Fund from the County Council were £31.967m (2011/12 £35.662m). At 31 March 2013 there were receivables in respect of contributions due from the County Council of £2.356m and payables due to the County Council of £0.069m for support services.

The County Council was reimbursed £1.042m (2011/12 £1.035m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 17 – Investments

	Value at 31.3.2013 £'000	Value at 31.3.12 £'000
Investment Assets		
Fixed Interest Securities	65,628	142,416
Index Linked Securities	77,416	68,246
Equities	455,489	231,167
Pooled Investments	676,896	652,936
Pooled Property Investments	86,589	78,731
Private Equity	90,881	72,736
Derivatives:		
- Forward Currency Contracts	813	932
Cash Deposits	8,995	3,172
Investment Income Due	2,961	3,977
Amounts Receivable for Sales	1,286	6,710
Total Investment Assets	**1,466,954**	**1,261,023**
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	(55)	(20)
Investment Expenses Due	(1,111)	(630)
Amounts Payable for Purchases	(4,631)	(2,585)
Total Investment Liabilities	**(5,797)**	**(3,235)**
Net Investment Assets	**1,461,157**	**1,257,788**

Note 17a – Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2012	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2013 £'000
Fixed Interest Securities	142,416	90,494	(169,110)	1,828			65,628
Index Linked Securities	68,246	51,302	(48,597)	6,465			77,416
Equities	231,167	217,227	(58,568)	65,663			455,489
Pooled Investments	652,936	267,180	(324,129)	80,909			676,896
Pooled Property Investments	78,731	10,145	(1,537)	(750)			86,589
Private Equity	72,736	2,860	(6,249)	21,534			90,881
<u>Derivative Contracts</u>							
Futures	0						0
FX	912	4,360	(4,815)	301			758
<u>Other Investment Balances</u>							
Cash Deposits	3,172	40,019	(35,619)	(132)	1,555		8,995
Amounts Receivable for Sales of Investments	6,710					(5,424)	1,286
Investment Income Due	3,977					(1,016)	2,961
Amounts Payable for Purchases of Investments	(3,215)					(2,527)	(5,742)
	1,257,788	**683,587**	**(648,624)**	**175,818**	**1,555**	**(8,967)**	**1,461,157**

	Value at	Purchases	Sales	Change in	Cash	Increase in	Value at

	1.4.2011	at Cost & Derivative Payments £'000	Proceeds & Derivative Receipts £'000	Market Value £'000	Movement £'000	Receivables / (Payables) £'000	31.3.2012 £'000
Fixed Interest Securities	130,276	250,385	(245,422)	7,177			142,416
Index Linked Securities	62,860	144,562	(150,766)	11,590			68,246
Equities	443,438	24,327	(241,264)	4,666			231,167
Pooled Investments	420,125	518,547	(285,719)	(17)			652,936
Pooled Property Investments	75,241	4,797	(2,339)	1,032			78,731
Private Equity	76,979	2,357	(4,330)	(2,270)			72,736
<u>Derivative Contracts</u>							
Futures	28		(59)	31			0
FX	(985)	2,454	(2,073)	1,516			912
<u>Other Investment Balances</u>							
Cash Deposits	5,875	42,809	(42,633)	(2,191)	(688)		3,172
Amounts Receivable for Sales of Investments	1,746					4,964	6,710
Investment Income Due	4,046					(69)	3,977
Amounts Payable for Purchases of Investments	(3,290)					75	(3,215)
	1,216,339	**990,238**	**(974,605)**	**21,534**	**(688)**	**4,970**	**1,257,788**

Included within the above purchases and sales figures are transaction costs of £0.336m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

There have been no employer-related investments at any time during the year.

Note 17b – Analysis of Investments (Excluding Derivative Contracts)

Fixed Interest Securities

	2012/13 £'000	2011/12 £'000
UK Public Sector	33,327	57,939
UK Other	3,570	60,423
Overseas Public Sector	28,731	24,054
	65,628	**142,416**

Index Linked Securities

	2012/13 £'000	2011/12 £'000
UK Public Sector Index Linked	77,416	68,246
	77,416	**68,246**

Equity Investments

	2012/13 £'000	2011/12 £'000
UK listed equities	290,833	231,167
Overseas Listed Equities:		
North America	91,275	0
Japan	14,503	0
Europe	30,329	0
Pacific Basin	4,552	0
Emerging Markets	23,997	0
	455,489	**231,167**

Pooled Investment Vehicles

	2012/13 £'000	2011/12 £'000
UK Registered Managed Funds - Property	18,250	18,286
Non UK Registered Managed Funds - Property	18,023	15,660
UK Registered Managed Funds - Other	391,229	400,972
Non UK Registered Managed Funds - Other	96,581	84,578
UK Registered Property Unit Trusts	45,100	39,582
Non UK Registered Property Unit Trusts	5,216	5,203
Non UK Registered Unit Linked Insurance Fund	189,085	167,386
	763,484	**731,667**

Private Equity

	2012/13 £'000	2011/12 £'000
Listed Investments	90,872	72,727
Unlisted Investments	9	9

	90,881	**72,736**

Total Investments (excluding derivative contracts)

	2012/13 £'000	2011/12 £'000
	1,452,898	1,246,232

Note 17c – Derivative Contracts

Objectives and policies

The Pension Fund Committee have authorised the use of derivatives by their Investment Managers as part of their investment strategy for the pension scheme.

The main objectives and policies followed during the year are summarised as follows:

Forward Foreign Exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Hedge Funds

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to such hedges through its £32.842m investment in a Fund of Funds Hedge Fund. As the Fund has no direct ownership in these hedge arrangements, with all decisions made by the Fund Managers rather than the Oxfordshire Pension Fund, the hedge disclosure requirements are deemed not to apply.

Forward Foreign Exchange (FX)

The scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
Forward OTC	3 months	1,287 GBP	1,920 USD	22		
Forward OTC	3 months	453 GBP	695 CAD	3		
Forward OTC	3months	97 GBP	930 SEK	3		
Forward OTC	3months	140 GBP	1,195 DKK	4		
Forward OTC	3 months	10,572 GBP	12,100 EUR	329		
Forward OTC	3 months	9,802 GBP	14,600 USD	183		
Forward OTC	3 months	9,187 GBP	1,316,000 JPY		(40)	
Forward OTC	3 months	990 USD	665 GBP		(12)	
Forward OTC	1 month	1,001 EUR	847 GBP		(1)	
Forward OTC	2 months	825 USD	545 GBP		(2)	
Forward OTC	2 months	943 GBP	1,113 EUR	1		
Forward OTC	3 months	15,253 GBP	17,710 EUR	263		
Forward OTC	1 month	822 USD	643 EUR	3		
Forward OTC	1 month	1,412 USD	1,101 EUR	2		
Forward Currency Contracts at 31 March 2013				**813**	**(55)**	**758**
Prior Year Comparative						
Forward Currency contracts at 31 March 2012				**932**	**(20)**	**912**

Note 17d – Other Investment Balances

	2012/13 £'000	2011/12 £'000
Receivables		
Sale of Investments	1,286	6,710
Dividend & Interest Accrued	2,810	3,865
Inland Revenue	144	105
Other	7	7
	4,247	**10,687**
Payables		
Purchase of Investments	(4,631)	(2,585)
Management Fees	(1,077)	(625)
Custodian Fees	(34)	(5)
	(5,742)	**(3,215)**
Total	**(1,495)**	**7,472**

Cash Deposits

	2012/13 £'000	2011/12 £'000
Non-Sterling Cash Deposits	8,995	3,172

	8,995	3,172

	2012/13 £'000	% of Total Fund	2011/12 £'000	% of Total Fund
UBS Global Optimal Thirds	189,086	12.41	167,386	12.68
L&G World Equity Index	0	0.00	154,443	11.70
L&G UK FTSE100 Equity Index	151,058	9.91	130,835	9.91
L&G World (ex-UK) Equity Index	128,102	8.41	100,139	7.59
L&G Core Plus Bond Fund	92,649	6.08	0	0.00

Note 18 - Current Assets

2012/13	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,121	4,231	20	52	518	**6,942**
Employee Contributions	0	1,410	6	16	64	**1,496**
Transferred Benefits	0	542	0	0	0	**542**
Costs of Early Retirement	0	927	0	43	236	**1,206**
Inland Revenue	21	0	0	0	0	**21**
Other	46	163	0	3	94	**306**
Cash Balances	0	0	0	0	40,453	**40,453**
Total	**2,188**	**7,273**	**26**	**114**	**41,365**	**50,966**

2011/12	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000

Receivables:						
Employer Contributions	2,122	4,283	1	4	233	**6,643**
Employee Contributions	0	1,446	0	2	77	**1,525**
Transferred Benefits	0	176	0	0	0	**176**
Costs of Early Retirement	0	1,097	0	13	254	**1,364**
Inland Revenue	60	0	0	0	0	**60**
Other	46	151	0	14	18	**229**
Cash Balances	0	0	0	0	37,215	**37,215**
Total	**2,228**	**7,153**	**1**	**33**	**37,797**	**47,212**

Note 19 – Current Liabilities

2012/13	**Central Government Bodies £'000**	**Local Authorities £'000**	**Public Corporations & Trading Funds £'000**	**Other £'000**	**Total £'000**
Transferred Benefits	0	(1,359)	0	0	**(1,359)**
Benefits Payable	0	(79)	0	(15)	**(94)**
Inland Revenue	(736)	0	0	0	**(736)**
Costs of Early Retirement	(201)	0	0	0	**(201)**
Staff Costs	0	(69)	0	0	**(69)**
Consultancy	0	0	(4)	0	**(4)**
Other	(1)	(6)	(33)	(2)	**(42)**
Total	**(938)**	**(1,513)**	**(37)**	**(17)**	**(2,505)**

2011/12	**Central Government Bodies £'000**	**Local Authorities £'000**	**Public Corporations & Trading Funds £'000**	**Other £'000**	**Total £'000**
Transferred Benefits	0	(112)	0	(183)	**(295)**

Benefits Payable	0	(209)	0	(22)	**(231)**
Inland Revenue	(665)	0	0	0	**(665)**
Costs of Early Retirement	(201)	0	0	0	**(201)**
Staff Costs	0	(31)	0	0	**(31)**
Consultancy	0	0	(9)	0	**(9)**
Other	(1)	(7)	(6)	(25)	**(39)**
Total	**(867)**	**(359)**	**(15)**	**(230)**	**(1,471)**

Note 20 – Long-Term Assets

2012/13	**Central Government Bodies £'000**	**Local Authorities £'000**	**NHS Bodies £'000**	**Public Corporations & Trading Funds £'000**	**Other £'000**	**Total £'000**
Employer Contributions	13,148	0	0	0	0	**13,148**
Costs of Early Retirement	0	742	0	81	159	**982**
Total	**13,148**	**742**	**0**	**81**	**159**	**14,130**

2011/12	**Central Government Bodies £'000**	**Local Authorities £'000**	**NHS Bodies £'000**	**Public Corporations & Trading Funds £'000**	**Other £'000**	**Total £'000**
Employer Contributions	14,806	0	0	0	0	**14,806**
Costs of Early Retirement	0	1,274	0	11	374	**1,659**
Total	**14,806**	**1,274**	**0**	**11**	**374**	**16,465**

Long-Term assets for 2012/13 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which the payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

Note 21 – Assets under External Management

The market value of assets under external fund management amounted to £1,344.655m as at 31 March 2013. The table that follows gives a breakdown of this sum:

	2012/13		2011/12	
	Market Value £'000	%	Market Value £'000	%
Alliance Bernstein	0	0.00	117	0.01
Baillie Gifford	304,811	22.67	253,802	21.26
Legal & General	521,324	38.77	606,360	50.78
UBS	286,281	21.29	290,216	24.30
Wellington	180,813	13.45	0	0.00
Adams Street Partners	18,166	1.35	13,888	1.16
Partners Group	33,260	2.47	29,750	2.49
	1,344,655	**100.00**	**1,194,133**	**100.00**

Note 22 - Top 5 Holdings

Value of the Fund's Top Five Holdings	£'000	% of Fund
Electra Investment Trust	24,022	1.58
HG Capital Trust	22,860	1.50
British American Tobacco	15,249	1.00
HSBC Holdings	14,237	0.93
BG Group Plc	12,055	0.79

Note 23 - Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such the fund is exempt from UK income tax on interest received and from capital gains. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

Note 24 - Additional Voluntary Contributions

	Market Value 31 March 2013 £'000	Market Value 31 March 2012 £'000

Prudential	14,534	14,517

AVC contributions of £1.671m were paid directly to Prudential during the year (2011/12 - £1.711m).

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

Note 25 – Contingent Liabilities

There are two contingencies to note:

1) The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.

2) The Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next 11 years, though the maximum payment has been calculated as approximately £0.2m plus pensions increase.

As at 31 March 2012 the fund had outstanding capital commitments (investments) totalling £59.970m (31 March 2012 - £48.825m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 26 – Contingent Assets

An estimated bulk transfer payment of £0.6m is due to Oxfordshire County Council Pension Fund. The date for settling this balance has yet to be agreed.

Two Admitted Body employers in the Oxfordshire County Council Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations to the fund. These bonds are drawn in favour of the pension fund and payment of the bond will only be triggered in an event of default by the employer.

Note 27 – Actuarial Present Value of Promised Retirement Benefits

	2013 £'000	2012 £'000
Present Value of Funded Obligation	2,304,966	2,083,843

Present Value of Funded Obligation consists of £1,833.996m (2012 – £1,683.817m) in respect of Vested Obligation and £470.970m (2012 – £400.026m) in respect of Non-Vested Obligation. The movement from March 2012 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £114.361m (2012 - £94.843m).

There has been a further increase in the present value of the Funded Obligation of £106.762m (2012 - £304.242m) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- An increase in the assumed level of CPI and therefore pension increase from 2.5% to 2.6% (net effect an increase in Present Value of Funded Obligation)
- An increase in the assumed level of pay increases from 4.7% to 4.8% (net effect an increase in Present Value of Funded Obligations)
- A reduction in the discount factor from 4.6% to 4.5% (net effect an increase in Present Value of Funded Obligations).

Note 28 – Financial Instruments

Note 28a – Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	2012/13			2011/12		
	Fair Value Through Profit & Loss £'000	**Loans & Receivables £'000**	**Financial Liabilities at Amortised Cost £'000**	**Fair Value Through Profit & Loss £'000**	**Loans & Receivables £'000**	**Financial Liabilities at Amortised Cost £'000**
Financial Assets						
Fixed Interest Securities	65,628			142,416		
Index Linked Securities	77,416			68,246		
Equities	455,489			231,167		
Pooled Investments	676,896			652,936		
Pooled Property Investments	86,589			78,731		
Private Equity	90,881			72,736		
Derivatives	813			932		
Cash		49,448			40,387	
Other Investment Balances	4,103			10,582		
Receivables		65			72	
	1,457,815	**49,513**	**0**	**1,257,746**	**40,459**	**0**
Financial Liabilities						
Derivatives	(55)			(20)		
Other Investment Balances	(5,742)			(3,215)		
Payables			(108)			(58)
	(5,797)	**0**	**(108)**	**(3,235)**	**0**	**(58)**
Total	**1,452,018**	**49,513**	**(108)**	**1,254,511**	**40,459**	**(58)**

Note 28b – Fair Value of Financial Instruments and Liabilities

The carrying values of the financial assets and liabilities compared with their fair values are summarised below by instrument class.

	2013		2012	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Financial Assets - Current				
Loans & Receivables	49,513	49,513	40,459	40,459
Financial Assets at fair value through profit or loss	1,404,114	1,404,114	1,212,278	1,212,278
	1,453,627	1,453,627	1,252,737	1,252,737
Financial Assets - Long Term				
Financial Assets at fair value through profit or loss	53,701	53,701	45,468	45,468
Financial Liabilities - Current				
Amortised Cost	(108)	(108)	(58)	(58)
Financial Liabilities at fair value through profit or loss	(5,797)	(5,797)	(3,235)	(3,235)
	(5,905)	(5,905)	(3,293)	(3,293)
Total	**1,501,423**	**1,501,423**	**1,294,912**	**1,294,912**

The Fair Value of operational debtors and creditors, cash and short-term deposits, is assumed to be equal to the carrying value.

Note 28c - Net Gains and Losses on Financial Instruments

	31 March 2013 £'000	31 March 2012 £'000
Financial Assets		
Fair Value through Profit and Loss	175,650	22,209
Loans and Receivables	(132)	(2,191)
Financial Liabilities		
Fair Value through Profit and Loss	301	1,516
Financial Liabilities Measured at Amortised Cost	0	0
Total	**175,819**	**21,534**

Note 28d - Valuation of Financial Instruments Carried at Fair Value

Financial instruments have been classified in to one of the following three categories to reflect the level of uncertainty in estimating their fair values:

Level 1
Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).

Level 3
Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the fund investments. Fund of funds hedge fund investments are included within Level 3 of the hierarchy as the fair value is based on the sum of the fair values of the underlying funds, which are unlisted, as provided by the fund administrators and is subject to adjustments by the Directors of the fund of funds as deemed appropriate. Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive.

Categorisation of financial instruments within the levels is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Fund’s financial assets and liabilities within the fair value hierarchy.

Value at 31 March 2013	**Level 1 £’000**	**Level 2 £’000**	**Level 3 £’000**	**Total £’000**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	617,520	749,787	93,862	1,461,169
Loans and Receivables	21,190	24,968	0	46,158
Total Financial Assets	**638,710**	**774,755**	**93,862**	**1,507,327**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(5,742)	(55)	0	(5,797)
Financial Liabilities at Amortised Cost	(108)	0	0	(108)
Total Financial Liabilities	**(5,850)**	**(55)**	**0**	**(5,905)**
Net Financial Assets	**632,860**	**774,700**	**93,862**	**1,501,422**

Value at 31 March 2012	**Level 1 £’000**	**Level 2 £’000**	**Level 3 £’000**	**Total £’000**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	403,222	766,546	87,978	1,257,746

Loans and Receivables	19,001	21,458	0	40,459
Total Financial Assets	**422,223**	**788,004**	**87,978**	**1,298,205**
Financial Liabilities Financial Liabilities at Fair Value through Profit and Loss	(3,215)	(20)	0	(3,235)
Financial Liabilities at Amortised Cost	(58)	0	0	(58)
Total Financial Liabilities	**(3,273)**	**(20)**	**0**	**(3,293)**
Net Financial Assets	**418,950**	**787,984**	**87,978**	**1,294,912**

Purchases and sales represent -£0.175m of the movement in assets classified under level 3 of the hierarchy between 2011/12 and 2012/13. The remaining movement is made up of £2.498m of realised profits and £3.561m from the movement in fair value estimated using valuation techniques.

Note 29 – Risk

The Pension Fund is subject to risk in terms of its key responsibility to meet the pension liabilities of the scheme members as they become due. These risks relate to the value of both the assets and the liabilities of the Fund and the timing of when the payment of the liabilities becomes due.

At a strategic level, the main tools used by the Pension Fund to manage risk are:

- The tri-annual Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2010 Valuation estimated that the current Funding Level is only 79%, but set contribution rates to address the deficit over the next 25 years.
- The Statement of Investment Principles which sets out the Fund's approach to the investment of funds, and specifically sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset allocation to ensure compliance with the Statement of Investment Principles.
- The regular review of the performance of all Fund Managers.

Key elements of the approach to managing the investment risk as set out in the Statement of Investment Principles include:

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.
- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset groups, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.

- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Management of these risks is a key element of the Government's current review of all public sector pension schemes. The recent proposals agreed by the employers and unions subject to wider consultation link normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, the introduction of career average revalued earnings schemes to avoid the sudden hike possible in final benefits under a final salary scheme, and the switch to indexation under CPI. The new scheme is planned to take effect from 1 April 2014.

The Actuary when completing the 2010 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.5% per annum in the discount rate would move the calculated funding level from 79% down to 73% or up to 85%. A change in mortality rates of 10% per annum would lead to a reduction in the funding level to 77% or an increase to 81%.

In terms of the investment in the various Financial Instruments open to the Pension Fund, the Fund is exposed to the following risks:

- Credit risk – the possibility of financial loss stemming from other parties no longer being able to make payments or meet contractual obligations to the Pension Fund.
- Liquidity Risk – the possibility that the Pension Fund might not have the funds available to meet its payment commitments as they fall due.
- Market Risk – the possibility that the Pension Fund may suffer financial loss as a consequence of changes in such measures as interest rates, market prices, and foreign currency exchange rates.

Credit Risk

In terms of the Pension Fund, the credit risk is largely associated in terms of the Fund's investments in Fixed Interest and Index Linked Securities, Cash Deposits and Short Term loans, where the risk is that the other parties fail to meet the interest payment or to return the Fund's investment at the end of the investment period.

At 31 March 2013 the Fund's exposure to credit risk was therefore limited to the following investments:

Investment Category	31 March 2013	31 March 2012
	£'000	£'000
UK Government Gilts	33,328	57,939

UK Corporate Bonds	96,219	60,423
UK Index Linked Gilts	77,416	68,246
Overseas Government Bonds	28,731	24,054
Non-Sterling Cash Deposits	8,995	3,172
Cash Balances	40,453	37,215
Total	**285,142**	**251,049**

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be in sub-investment grade bonds. Cash held in Sterling at 31 March 2013 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2013	Rating	Balance as at 31 March 2012
		£'000		£'000
Money Market Funds				
Deutsche Managed Sterling Fund	AAA	21,324	AAA	19,016
Ignis Asset Management	AAA	0	AAA	543
Bank Deposit Accounts				
Royal Bank of Scotland Plc	A	8,773	A	8,497
Euroclear Bank S.A.	AA+	876	AA+	397
UBS AG	A	0	A	4
Santander UK Plc	A	501	A	0
Bank Current Accounts				
Lloyds TSB Plc	A	8,979	A	8,758
Total		**40,453**		**37,215**

The Pension fund has no experience of default against which to quantify the credit risk against the current investments.

Liquidity Risk

Liquidity risk represents the risk that the Fund will be unable to meet its financial obligations as they fall due. At the present time, the Liquidity risk is seen, relatively, as the greatest threat to the Pension Fund, although the absolute risk itself is still seen to be very low, particularly in the short term.

During 2012/13 the Pension Fund received/accrued contributions of £84.7m (2011/12 - £109.0m) and paid out benefits of £71.5m (2011/12 - £78.3m). There were further receipts/accruals of £17.9m (2011/12 - £21.9) in respect of investment income, against which need to be set investment management fees of £3.0m (2011/12 - £2.2m) and taxes of £0.1m (2011/12 - £0.2m). The net inflow was therefore £28.0m (2011/12 - £50.2m).

These figures indicate significant levels of flexibility around the levels of cash available to meet liabilities as they are due. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £10m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from the private equity fund managers, and other payments due from the Fund.

For the Fund to be required to liquidate assets at financial loss would therefore require a significant change in either the levels of contributions received, and/or the levels of benefits payable as well as the loss of all current investment income.

There are risks in this area going forward as a result of the scale of the reductions in public expenditure, and the forthcoming changes to the local government pension scheme. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension.

The risks associated with the reform of the LGPS are largely in respect of the contributions receivable (benefits in payment are unlikely to be significantly impacted in the short term, and are likely to reduce in the longer term). These risks are seen to have reduced in light of the specific proposals now issued for consultation. The fact that no staff on salaries below £43,000 will see an increase in their contribution rate has reduced the risk of widespread opt out, though the risk still remains. Similarly, confirmation of the retention of the Fair Deal provisions reduces the sudden loss of significant contributions on the outsourcing of services, though this remains a longer term risk to the on-going liquidity of the Fund. The new element of risk introduced by the proposals relates to the introduction of an option to pay 50% of your contribution for 50% of your future benefits. If this option sees a significant take up, this will impact on current contributions received.

The Fund's auto-enrolment staging date was 1 February 2013. This has resulted in an initial increase in contribution levels. Opt-out rates will need to be monitored to evaluate the impact this will have on the Fund's cashflow going forward.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received in the region of 50% or an increase in benefits payable in the region of 70%. Movements of this scale are deemed highly unlikely. The Pension Fund will seek to mitigate these risks through advice to the Government on the impact of any proposals for change, as well as clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

Market Risk

The whole of the Pension Fund's investment asset base is subject to financial loss through market risk, which includes the impact of changes in interest rates, movements in market prices and movements in foreign currency rates. However, as noted above under the liquidity risk, these financial losses are not automatically realised, as all assets held by the Pension Fund are done so on a long term basis. Subject to the liquidity risk above, it is many years into the future before any assets will be required to be realised, during which time market risk will have the opportunity to even itself out.
Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

Whilst widespread recession will drive down the value of the Fund's assets and therefore funding level in the short term, this will have no direct bearing on the long term position of the Fund, nor the contribution rates for individual employers. Under the LGPS Regulations, the Fund Actuary is required to maintain as near stable contribution rate as possible, and as such the Valuation is based on long term assumptions about asset values, and all short term movements smoothed to reflect the long term trends.

Interest Rate Risk

The direct exposure of the fund to interest rate risk and the impact of a 100 basis point movement in interest rates are presented in the table below. This analysis assumes that all other variables remain constant:

Asset Type	**Carrying Amount as at 31 March 2013**	**Change in Year in the Net Assets Available to Pay Benefits**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and Cash Equivalents	8,995	90	-90
Cash Balances	40,453	405	-405
Fixed Interest Securities	235,694	2,357	-2,357
Total Change in Assets Available	**285,142**	**2,852**	**-2,852**

Asset Type	**Carrying Amount as at 31 March 2012**	**Change in Year in the Net Assets Available to Pay Benefits**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and Cash Equivalents	3,172	32	-32
Cash Balances	37,215	372	-372
Fixed Interest Securities	210,662	2,107	-2,107
Total Change in Assets Available	**251,049**	**2,511**	**-2,511**

In the short term, interest rate risk is difficult to quantify in that it impacts directly on both the price of fixed interest and index linked securities as well as the discount factor used to value liabilities. Increases in interest rates which will drive down security prices and asset values will also reduce the future pension liabilities and therefore improve funding levels rather than worsen them.

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 17c).

Based on the Fund's exposure to various currencies at 31 March 2013 and data on the level of volatility associated with these currencies provided by the Fund's performance monitoring service provider it has been determined that the likely volatility associated with exchange rate movements is 5.8%. This is based on a one standard deviation movement in the foreign exchange data over a 36 month period and is adjusted for currency correlation. The inclusion of currency correlation is an addition from the previous year which will act to dampen volatility and has been incorporated to more accurately reflect the currency risk the Fund is exposed to.

This analysis assumes that all other variables remain constant.

The table below shows the impact a 5.8% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure - Asset Type	**Asset Values as at 31 March 2013**	**Change in Year in the Net Assets Available to Pay Benefits**	
		5.8%	**5.8%**
	£'000	**£'000**	**£'000**
Overseas Equities	164,656	9,483	(9,483)
Pooled Overseas Equities	335,438	19,318	(19,318)
Private Equity	6,035	348	(348)
Pooled Private Equity (LLPs)	43,222	2,489	(2,489)
Pooled Property	23,239	1,338	(1,338)
Cash	8,995	518	(518)
Total Change in Assets Available	**581,585**	**33,494**	**(33,494)**

Currency Exposure - Asset Type	**Asset Values as at 31 March 2012**	**Change in Year in the Net Assets Available to Pay Benefits**	
		+9.6%	**-9.6%**
	£'000	**£'000**	**£'000**
Overseas Bonds	24,054	2,309	(2,309)
Private Equity	6,395	614	(614)
Pooled Private Equity (LLPs)	37,620	3,612	(3,612)
Pooled Property	6,019	578	(578)
Cash	3,172	304	(304)
Total Change in Assets Available	**77,260**	**7,417**	**(7,417)**

Other Price Risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or foreign exchange risk.

All investments in securities present a risk of loss of capital. The maximum risk is the fair value of the financial instrument.

Based on an analysis of historical data by the Fund's performance monitoring service provider, movements in market price that are reasonably possible have been determined. This is based on a one standard deviation movement in historical price data over a 36 month period. These are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

Asset Type	Value as at 31 March 2013 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	461,312	12.8	520,314	402,310
Pooled Overseas Equities	500,094	14.9	574,558	425,630
UK Bonds	129,547	4.4	135,234	123,860
Overseas Bonds	28,731	2.4	29,432	28,030
UK Index Linked Bonds	77,416	8.4	83,950	70,883
Pooled Hedge Funds	32,842	2.8	33,775	31,910
Private Equity	90,881	13.7	103,313	78,448
Pooled Private Equity (LLPs)	45,488	8.4	49,291	41,685
Pooled Property	86,589	1.6	88,009	85,168
Cash	49,448	0.0	49,458	49,438
Total Assets Available to Pay Benefits	**1,502,348**		**1,631,549**	**1,373,145**

The totals for value on increase and value on decrease do not equal the total of the values for the individual asset classes. This is because the impact of correlation across asset classes has been incorporated at total asset level.

Asset Type	Value as at 31 March 2012 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	389,943	14.1	444,925	334,961
Pooled Global Equities	142,056	16.6	165,638	118,475
Pooled Overseas Equities	280,975	17.4	329,865	232,085
UK Bonds	118,362	4.7	123,926	112,800
Overseas Bonds	24,054	2.5	24,655	23,452
UK Index Linked Bonds	68,246	7.7	73,501	62,991
Pooled Hedge Funds	31,688	3.7	32,860	30,515
Private Equity	72,736	15.4	83,937	61,535
Pooled Private Equity (LLPs)	39,441	18.7	46,816	32,065
Pooled Property	78,731	5.2	82,825	74,637
Cash	40,387	0.0	40,387	40,387
Total Assets Available to Pay Benefits	**1,286,619**		**1,449,335**	**1,123,903**

Independent auditor's report to the members of Oxfordshire County Council

To be included on completion of audit

Barnett Waddingham
Public Sector Consulting

Oxfordshire County Council Pension Fund

Actuary's Statement as at 31 March 2013

Introduction

The last full triennial valuation of the Oxfordshire County Council Pension Fund ("the Fund") was carried out as at 31 March 2010 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2011.

2010 Valuation Results

The results of the valuation of the Fund were as follows

- The Oxfordshire County Council Pension Fund had a funding level of 79%, i.e. the assets amounted to 79% of the liability promises made as at that valuation date. This corresponded to a deficit of £287.1m at that time.
- The overall contribution rate was set at 19.0% of payroll and assumed that the funding level was to be restored over a 25 year period.
- The common contribution rate was set at 19.0% of payroll and individual employers paid this rate plus individual adjustments reflecting their own experience in the Fund.

Valuation method

The contribution rates were calculated using the Projected Unit Method or the Attained Age Method. Employers remaining open to new entrants were valued on the Projected Unit Method, whereas the employers who did not allow new entrants to join were valued using the Attained Age Method.

Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due
- plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Barnett Waddingham
Public Sector Consulting

Key Financial Assumptions

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

Rate of return on investments	6.7% per annum
Rate of increases in pay	5.0% per annum
Rate of increases to pensions in payment	3.0% per annum

Asset valuation

To be consistent with the assumptions used to value the liabilities the assets were valued at their smoothed market value over the 6 months spanning the date of valuation.

Post Valuation Events – Changes in market conditions

Since March 2010, investment returns have been close to the assumptions made at the 2010 valuation. Liabilities will have increased slightly due to a slight decrease in the real discount rate underlying the valuation funding model.

We will be reviewing the methods and assumptions to be used at the 2013 valuation including the determination of discount rates as well as the allowance of future mortality improvements. There may also be other changes to the assumptions and methodology reflecting more recent experience and data that has become available.

The contribution rates resulting from the 2013 valuation will take effect from 1 April 2014 and will also allow for the expected changes to the benefits that will come into force from that date.

Graeme Muir FFA

Partner

29 August 2013

SUMMARY OF BENEFITS AT MARCH 2013

Introduction

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The regulations current for this year's report were effective from April 2008. A summary of the main benefit structure follows. There is further specific information in the sections, making up an Employee Guide currently held on the pension pages of the County public website.
www.oxfordshire.gov.uk/pensions

- ## Employers' Discretion

The regulations require each employer within the Oxfordshire Fund to determine their own local policy in specific areas. These policy statements have to be published and kept under review.
The specific areas include how employers will exercise discretionary powers to award additional membership to an active member, award additional pension for a member, agreement to early or flexible retirement on request of the member and setting up a shared cost AVC scheme.

- ## Retirement

Although the scheme retirement age is 65 for men and women, membership of the scheme continues when employment continues after age 65. All pensions **must** be paid before the 75th birthday.
Scheme benefits can be taken after leaving employment from age 60, but the benefit payable may be reduced. Alternatively when retirement is deferred until after age 65, the benefit will be increased.
The regulations confirm 'normal retirement age' to be 65, but protection is offered to those members who previously had the entitlement for earlier retirement with an unreduced benefit. The protections offered are limited according to the age of the member and may not apply on the whole of their membership.

The earliest age for payment of pensions increased to 55 from April 2008 but is only permitted with the employer's approval.

Flexible retirement options, now from 55 were introduced from April 2006. A person could reduce their hours or grade and request a payment of pension while continuing in employment. Employers have to agree to the whole arrangement.

Ill health retirement – the Regulations now provide 3 tiers of benefit depending upon the likelihood of the member being able to obtain gainful employment in the future. An employer's assessment for ill health pension is based upon capability to carry out duties of the member's current job and must be supported by appropriate independent medical certification.

From age 55, unreduced benefits are payable immediately when an employer terminates employment due to a redundancy or efficiency dismissal.

- ## Benefits

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant for membership to 31 March 2008 and an annual retirement pension on membership from April 2008 (see below). However there is an option for members to convert pension to lump sum retirement grant. The minimum period of membership to qualify for retirement benefits is 3 months. The standard pension calculation, for membership to 31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80 of final year's pensionable pay for each year of membership. From 1 April 2008 the standard calculation is 1/60 of final years' pensionable pay for each year of membership.

Example – retirement in 2013
25 years membership, final pay £15,000
Annual Pension.
20 years x 1/80 x £15,000 = **£3,750**
5 years x 1/60 x £15,000 = **£1,250**
Retirement Grant
20 years x 3/80 x £15,000 = **£11,250**

Members can choose at retirement to exchange pension for a larger retirement grant lump sum. AVC funds can also be used to provide a larger tax free lump sum. This combined lump sum can be up to 25 percent of the member's individual total pension fund value.
There are differences for elected members: Final pay is derived from career average pay and the benefit calculation remains for the time being as 1/80 for annual pension and 3/80 retirement grant.

- **Liability to pay future benefits**

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

- **Increasing Benefits**

Scheme members have several options as to how they increase their benefits, additional contributions to the LGPS or by contributing to the group AVC scheme arranged with the Prudential. **Additional Regular contributions** (ARC's) to the LGPS can buy units of additional pension for the member or the member and the dependants. Each unit buys £250 of annual pension (to a maximum of £5000). Members apply to Pension Services for quotations, although an online ready-reckoner is on our website.
Prudential AVCs. A member's additional contributions are invested by the Prudential to enable an annuity to be bought at retirement either from the Prudential, on the open market or as a top up pension with the LGPS. In certain protected circumstances the AVC value may also be used to buy additional LGPS membership
Members may also make their own arrangements using a stakeholder pension or an FSAVC.

- **Death**

Following a death in service a death grant of up to three times pensionable pay is payable. Scheme members are recommended to keep their 'expression of wish' nominations current.

- **Widows' and Widowers' Pension; Civil Partners' Pension; Nominated co-habiting partners' Pension**

The formula for pensions for surviving partners is 1/160 of the members' final year's pensionable pay for the allowable membership.
For a widow or widower married before the member left employment all of membership can be used.
For civil partners and nominated cohabiting partners only membership from 6 April 1988 is allowable for pension calculations.

A co-habiting partner must be nominated and couple's declaration must be held on the pension record to show that they qualify under the LGPS rules.

Once in payment a pension for the surviving partner is payable for their lifetime.

- **Leaving the Scheme**

With less than 3 months membership leavers can choose between a refund of their contributions, or a transfer to an approved scheme. Taking a refund could affect any other benefits held in the LGPS.

Entitlement to a deferred benefit exists when membership is of at least 3 months duration. The deferred benefit remains within this fund until retirement or an earlier transfer to an approved scheme.

- **Early Retirement**

Most early retirement, (where an employer decision results in the release an unreduced benefit), incur a cost to the pension fund. Employers are advised of these costs to enable them to make informed decisions about the early release of benefit. The Pension Fund recoups the cost direct from employers who agree early retirements.

♦ STATEMENT OF INVESTMENT PRINCIPLES

1 Introduction

Oxfordshire County Council has drawn up this Statement of Investment Principles to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Authority has consulted its actuary and independent financial adviser in preparing this statement.

Investment policy falls into two parts: strategic management and day-to-day management. The strategic management of the assets is the responsibility of the Authority and is driven by its investment objectives set out below. Day-to-day management of the assets is delegated to investment managers as described in the management of the assets section below.

2 Overall Responsibility

The County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The review and monitoring of investment performance and fund administration is delegated to the County Council's Pension Fund Committee. The Assistant Chief Executive & Chief Finance Officer has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of seven County Councillors plus two District Council representatives. A beneficiaries' representative attends Committee meetings as a non-voting member.

The Committee meets quarterly and is advised by the Assistant Chief Executive

& Chief Finance Officer and the Fund's Independent Financial Adviser. The Committee members are not trustees, although they have similar responsibilities.

3 Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

1. to achieve a 100% funding level;
2. to ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments;
3. for the overall Fund to outperform the benchmark, set out in the next section, by 1.0% per annum over a rolling three-year period.

In looking to deliver these objectives the Committee will take into account the fact that the Fund is immature with the cash received from employer and employee contributions exceeding the cash required to pay benefits and the costs of administering the Fund. This enables the Committee to take a long term view.

Risk

There are several risks to which any pension fund is exposed. The overriding risk is a deterioration of the funding level of the Fund. This could be caused by the differential movement of markets within the global economy or investment managers performing poorly and not achieving their target rate of return, or even their benchmark return.

To mitigate such risks, the following strategy has been adopted:

- retaining a proportion of investments in bonds to reflect potential changes in liabilities;
- investing a proportion of the fund passively to limit the impact of

poor performance by investment managers;

- diversification of investments, including investing in alternative assets with a low degree of correlation;
- use of a number of different investment managers to spread the risk of poor performance.
- diversification of investment styles, e.g. growth and value

Investment managers are required to implement appropriate risk management measures and to operate in such a way that the possibility of undershooting the performance target is kept within acceptable limits. The managers report on portfolio risk each quarter.

Strategic asset allocation

In September 2009 the Pension Fund Committee agreed a customised benchmark for the strategic allocation of assets. This was most recently endorsed in March 2011 and is set out in the table below:

Asset Class	Target asset allocation %	Range %
UK Equities		
- passively managed	10	
- actively managed	21	
Total UK Equities	31	29 - 33
Overseas Equities		
- passively managed	8	
- actively managed	24	
Total Overseas Equities	32	30 -34
Total Equities	**63**	**59 - 67**
UK Gilts	3	
Index Linked Gilts	5	
Overseas Bonds	2	
Corporate Bonds	6	
Total Bonds & Index Linked	**16**	**14 - 18**
Property	8	5 - 9
Private Equity	10	6 - 11
Hedge Funds	3	2 - 4
Cash	0	0 - 5
Total Other Assets	**21**	
Total All Assets	**100**	

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2011. The assets are currently managed as set out in the following table.

Asset Class	**Investment Manager**	**Benchmark**	**Annual Target**
UK Equities	Baillie Gifford Legal & General	FTSE Actuaries All-Share FTSE 100	+1.25% Passive
Overseas Equities	UBS Global Asset Management	Various FTSE geographical indices	+1.0%
Global Equities	Wellington Legal & General	FTSE All World FTSE All World	+ 2.0% Passive
Bonds & Index Linked - UK Gilts - Index Linked - Corporate bonds - Overseas bonds	Legal & General	 FTSE A All Gilts Stocks FTSE A Over 5 year IBoxx Sterling Non-Gilts JPMorgan Global Govt (ex UK) traded bond	+ 0.6%
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index weighted average	+1.0%
Private Equity - Quoted Inv. Trusts - Limited Partnerships	Assistant Chief Executive & Chief Finance Officer Adams Street Partners Group	FTSE smaller companies (including investment trusts)	+ 1.0%
Hedge Funds	UBS Wealth Management	3 month Libor	+ 3.0%
Cash	Internal	3 month Libor	-

\# Target performance is based on rolling 3-year periods

Legal & General have been given control ranges for each of the four sub categories of bonds & index linked. UBS Global Asset Management have been given control ranges for overseas equities relating to investment in their Global Pooled Fund and emerging markets. These ranges have been drawn up to ensure the Fund's investments remain well diversified.

Restrictions on Investment

The investment managers are prohibited from holding investments not defined as 'investments' in the LGPS (Management and Investment of Funds) Regulations 2009. Use of derivatives and currency hedging is permitted within pre-agreed limits. Underwriting is permitted, provided that the underlying stock is suitable on investment grounds and complies with existing investment criteria.

The regulations limit the powers of the Council to invest. The key restrictions are:

- not more than 10% (15%) of the Fund may be invested in unlisted securities of companies;
- not more than 10% of the Fund may be held in any single holding;
- not more than 10% of the Fund may be held as a deposit in any single bank, institution or person;
- not more than 2% (5%) of the Fund may be contributed to a single partnership
- not more than 5% (30%) of the Fund may be contributed to partnerships in total.
- not more than 10% of the Fund may be deposited or loaned to local authorities
- not more than 25% (35%) of the Fund may be invested in open ended investment companies where the collective investment schemes constituted by the companies are managed by one body.
- Not more than 25% (35%) in any single insurance contract.

Where figures are quoted in brackets, the Council could increase its limit as long as certain conditions are met.

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in any single insurance contract
- the limit on this investment has been increased to 35%
- this increase has been agreed to ensure that Legal and General retain the flexibility to manage their fixed income mandate within the limits previously set. Currently, Legal and General manage the allocations for passive UK and overseas equities, and the allocation for corporate bonds through a single insurance contract. Whilst the benchmark figure for the combined allocation to these funds is 24%, the flexibility provided to Legal and General to switch between corporate bonds and other elements of the fixed income mandate means the total allocation could rise above 27%. As the three component parts of the Legal and General contract are diversified, and operated within strict limits, it is not felt that this increase in overall limit exposes the Fund to undue risk.
- The increase has been agreed for a period not exceeding 18 months, and follows on from an agreement which covered the previous 2 years.
- The increase will be reviewed as part of the 2014 Fundamental Asset Allocation Review and expires no later than 5 November 2014.
- The decision to increase the limit has been made in accordance with the Regulations.

Realisation of Investments

Investment managers are required to maintain portfolios which consist of assets that are readily realisable. Any investment within an in-house or pooled fund which is not readily tradable requires specific approval. It is recognised that investment in Limited Partnership private equity funds are long term investments and as such are not readily realisable.

Monitoring and review

The individual manager's performance, current activity and transactions are monitored quarterly by the Pension Fund Committee. Investment management performance of the Fund is reviewed annually upon receipt of the annual report prepared by WM Performance Services.

5 Social, Environmental & Ethically Responsible Investment

The Council's principal concern is to invest in the **best interests** of the Fund's employing bodies and beneficiaries. Its Investment Managers are given performance objectives accordingly. However, the Council requires its Investment Managers to monitor and assess the social, environmental and ethical considerations, which may impact on the reputation of a particular company when selecting and retaining investments, and to engage with companies on these issues where appropriate. The Council believes that the operation of such a policy will ensure the sustainability of a company's earnings and hence its merits as an investment; it will also assess the company's sensitivity to its various stakeholders.

The Investment Managers report at quarterly intervals on the selection, retention and realisation of investments on the Council's behalf. These Report/Review Meetings provide an opportunity for the Council to influence the Investment Manager's choice of investments but the Council is careful to preserve the Investment Manager's autonomy in pursuit of their given performance. The Council will use meetings to identify Investment Managers' adherence to the policy and to ask Investment Managers to report regularly on any engagement undertaken.

6 Exercise of Rights attached to Investments

The Council takes an interest in the way the companies in which it has made investments manage their affairs. It will always exercise its voting rights to promote and support good corporate governance and socially responsible corporate behaviour.

In practice its Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, subject to an annual review by the Pension Fund Committee.

Investment Managers are required to report quarterly on action taken. The Council, through its Investment Managers, may act with other pension funds to influence corporate behaviour and, apart from the exercise of voting rights in concert with others, may make direct representation to the boards of companies through its Investment Managers in concert with others, on issues of social responsibility.

7 Custody & Stock Lending

Custodian services are provided by BNY Mellon. In accordance with normal practice, the Scheme's share certificates are registered in the name of the custodian's own nominee company with designation for the Scheme. Officers receive and review internal control reports produced by the custodian. The custodian regularly reconciles their records with the investment manager records, providing a regular report to officers which they in turn review.

The custodian holds the majority of the Fund's assets. Exceptions include some pooled funds, held by the relevant Investment Manager's custodian, hedge fund assets and a working cash balance, which is held by the County Council and invested in the wholesale money market.

The Council allows the custodian to lend stock and share the proceeds with the Council. This is done to generate income for the Fund and to minimise the cost of custody. To minimise risk of loss the counterparty is required to provide suitable collateral to the custodian.

8 Compliance

The Council will monitor compliance with this statement annually. In particular it will obtain written confirmation from the Investment Managers that they exercised their powers of investment with a view to giving effect to the principles contained in the Statement so far as is reasonably practicable. The Council undertakes to advise the Investment Managers promptly and in writing of any material change to the Statement.

The Pension Fund Committee has assessed itself against the updated Principles of Pension Fund Investment in June 2010 and is broadly compliant. This statement also complies with the guidance given by the Secretary of State.

9 Review of this Statement

The Council will review this Statement in response to any material changes to any aspect of the Fund, its liabilities, finances and its attitude to risk, which has a bearing on its stated investment objectives. A formal review of the strategic asset allocation will be undertaken annually. In addition the Council will undertake a strategic review of this Statement every three years to coincide with the actuarial valuation.

OTHER GOVERNANCE AND FINANCIAL STATEMENTS

In addition to the statement of Investment Principles, the regulations now require the Pension Fund Report to include a reference to the Funding Strategy Statement, the Governance Compliance Statement and the Communications Policy. These documents are available in full on the OCC website at http://www.oxfordshire.gov.uk/howthepensionfundismanaged. Detailed below is a summary.

- **Funding Strategy Statement**

This is a key document in driving the tri-annual Valuation process, and sets out the Pension Fund's approach to ensuring the long term financial position of the Fund. The three main purposes of this Funding Strategy Statement are:

- To establish a clear and transparent strategy, specific to the Fund, which will identify how employers' pension liabilities are best met going forward.
- To support the regulatory requirement in relation to the desirability of maintaining as

nearly constant employer contribution rates as possible.

- To take a prudent longer-term view of funding the Fund's liabilities.

The document sets out the aims and purposes of the Fund, the key responsibilities of stakeholders of the Fund, definitions of solvency, and the approach to allowing deficits to be recovered over periods of time, the approach to grouping employers for Valuation purposes, the approach to risks and the links to the investment principles.

- **The Governance Compliance Statement**

The Governance Compliance Statement - All Pension funds must publish a Governance Policy and a Governance Compliance Statement which sets out the extent to which this Governance Policy matches best practice guidance. The Governance Policy covers how the Administering Authority delegated its powers, the frequency of meetings, the terms of reference, structure and operating procedures in relation to the use of delegated powers, and the representation of scheme employers, and members within the arrangements. The current Governance Compliance Statement indicates that the Oxfordshire Fund is fully compliant in respect of most of the best practice statements, and partially compliant in the remaining three. These three relate to the fact that not all key scheme employers have representation on the Pension Fund Committee, the fact that there is no restriction on who can substitute for a Committee Member in terms of a minimum level of training on Pension fund matters, and the absence of a formal annual training plan for Committee Members, including a log of all training undertaken.

- **The Communications Policy**

The Communications Policy sets out the approach of the Pension Fund to ensuring all key stakeholders and scheme members are briefed on Pension Fund issues. The Policy sets out that the Administering Authority seeks to fully brief all Scheme employers, such that they in turn can brief individual scheme members. The Administering Authority does not regard itself as solely responsible for communicating directly with all scheme members. Key elements of the Communication Policy include the development of the Website, the production of regular newsletters, and the holding of regular Pension User Group Meetings, and the annual Pension Forum.

COMMUNICATION

The Pension Fund Committee approved a Communication Strategy, which sets out the fund's communication policy with all employing bodies, contributors and pensioners. The following initiatives are currently in place: -

- **Annual Report and Accounts** – The investment team circulate this document to all Oxfordshire County Council Directors and all employing bodies. It is also available on line from the website page. Copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** – The Pension Fund Investment Manager selects sections from the main document to incorporate into an issue of Reporting Pensions for all current members. Pensioners receive the fund information with their annual newsletter.
- **Annual Pension Fund Forum** – An annual event for all employers in the fund, with an open invitation to submit topics for discussion and to send representatives. The forum is to keep employing bodies informed of topical issues and events that have

occurred in the last year and also to give them the opportunity to raise any questions in relation to the Pension Fund.

- **Pensions Employer/User Group** – This is a meeting held quarterly for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss LGPS matters such as changes in legislation, the results of the actuarial valuation and other policy changes. We will continue with the recently revised format of presenting on specific subjects at these meetings.
- **Employee Guide to LGPS** – presents aspects of the scheme to all members as a series of short subject leaflets. Taken together they provide a full guide for members, but individually offer broad information on specific subjects. The leaflets are available from the Oxfordshire County Council Pension Fund website or on request from Pension Services.
- **Short Guide to the LGPS** - a reduced version of the scheme guide, with main points, for all employers to give to all employees on starting employment.
- **Reports by Beneficiaries Representative** – The beneficiaries' representative attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairman. The Representative's report after each meeting is circulated to all employers for their staff, and is also on the pensions website pages.
- **Reporting Pensions** – a quarterly newsletter distributed, with the assistance of fund employers to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council Pension Fund complies with the Disclosure of Information Regulations.
- **Website** – Pages for the Oxfordshire County Council Pension Fund are located on the County's public website. They offer access to administration and investment information, including Pension Fund Committee reports and minutes. Fund Employers can find detailed Administration information as an online toolkit to support their role in the fund. All members; current, pensioners, and deferred, have dedicated sections, with links to newsletters and guides.
- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions –** This is an informal monthly newssheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements -** Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles - we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme**

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

Pension Services
Oxfordshire County Council
Unipart House
Garsington Road
Oxford, OX4 2GQ

Telephone:
01865 797133 or 01865 797125
email:
pension.services@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

Principal Financial Manager
(Treasury Management & Pensions Investment)
Financial Services
Oxfordshire County Council
County Hall
Oxford, OX1 1ND

Telephone 01865 328001

email:
pension.investments@oxfordshire.gov.uk

BENEFICIARIES REPRESENTATIVE

c/o Pension Services
Oxfordshire County Council
Unipart House
Garsington Road
Oxford
OX4 2GQ

SPECIFIED PERSON FOR INTERNAL DISPUTE RESOLUTION PROCEDURE
Disputes to be sent to:-

Pensions Services Manager
Oxfordshire County Council
Unipart House
Garsington Road
Oxford, OX4 2GQ

Telephone: 01865 797111
Email: sally.fox@oxfordshire.gov.uk

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW 0870 606 3636

The Registrar of Occupational and Personal Pension Schemes
PO Box 1NN
Newcastle upon Tyne
NE99 1NN

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB 0845 601 2923

Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB 0207 834 9144

PENSION FUND COMMITTEE – 6 SEPTEMBER 2013

PENSION FUND INVESTMENT AND ADMINISTRATION EXPENSES OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2013.

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. In March 2012 the Pension Fund Committee agreed a budget in respect of the Pension Fund's investment and administration expenses for the 2012/13 financial year. The production of an annual budget is in accordance with a recommendation of best practice set out in the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme.

2. Annex 1 compares the Investment Management and Scheme Administration outturn figures against the budget and shows the variations against each budget head. The reasons for any material variations are explained below.

Investment Management Expenses

3. **Fund Management Fees**. Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The actual spend on fund management fees for 2012/13 was £58,000 above the budget forecast. In addition to variations in mandate values, management fees for the fixed income portfolio were higher than estimated due to the transition of corporate bonds to the Core Plus fund.

4. The **Global Custody Fee** is dependent upon the market value of assets held, the type of investments and the number and type of trades arranged by the fund managers. It is therefore not possible to accurately predict the total fee for the year. The Global Custody Fee budget was exceeded by £16,000 during 2012/13, largely as a result of a new fee schedule applied from August.

5. The **IFA** and **Consultancy Fees** budgets include allowances for project expenses which were not required during this financial year. Consultancy fees in relation to the global custodian procurement exercise were also lower than anticipated as a result of a joint consultancy appointment with Hampshire Pension Fund.

6. **Pensions Investment Team and Other Support Services** costs were lower than forecast due to temporary vacancies within the Pensions Investment Team.

7. The income derived from **Stock Lending** was lower than forecast, in part due to the lower level of stock available for lending during the transition of the global equity mandate.

Scheme Administration Expenses

8. Overall there was an under spend on the administration budget of £276,000. The largest part of this variance was in the budget for **Financial Services Recharges** which was underspent by £89,000. The key elements of this figure are: -

    a. An under spend of £51,000 on staffing costs as a result of unpaid maternity leave and returning to work on a part time basis.
    b. Provision had been made for continued staff training, which was then put on hold pending new regulations.
    c. The costs of using the in-house legal team has been more cost effective than envisaged, therefore the budget for legal fees was overstated.

9. The **Software Support and Licensing** budget provision included the cost of implementation for new software, on a hosted basis. This was £61,000 less than estimated due to delaying the implementation of two modules until after the valuation work is completed.

10. **Actuarial Fees** were underspent by £73,000 since the budget, mistakenly, included additional provision for valuation work.

11. The budget for o**ther recharges** was underspent by £30,000. This budget included provision for advertising, subscriptions and project work which were not used / underspent.

RECOMMENDATION

The Committee is RECOMMENDED to receive the report and note the out-turn position.

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Background Papers: None

Contact Officers: **Donna Ross, Principal Financial Manager**
Tel: (01865) 323976
Sally Fox, Pension Services Manager
Tel: (01865) 797111

August 2013

Annex 1

Pension Fund Budget Outturn for the Financial Year ended 31 March 2013

	Budget	Actual	Variation
	£000	**£000**	**£000**
Investment Management			
Fund Management Fees	2,800	2,858	58
Global Custody Fee	60	76	16
Independent Financial Adviser	58	50	-8
Consultancy Fees	60	19	-41
Performance Measurement Service	13	13	
Member Training	12	1	-11
Pensions Investment Team and Other Support Services	242	228	-14
Other	5	0	-5
	3,250	**3,245**	**-5**
LESS: Stock lending fees	-100	-32	68
Total Investment Management	**3,150**	**3,213**	**63**
Scheme Administration			
Pensions Admin Team and Other Support Services	883	794	-89
Printing & Stationery	40	35	-5
Postage	8	3	-5
Software Support & Licensing	293	232	-61
Actuary Fees	90	17	-73
External Audit Fees	57	55	-2
Appointed Person Fees	3	0	-3
Other	71	40	-31
	1,445	**1,176**	**-269**
LESS: Income (e.g. Fire & Teacher Admin)	-29	-36	-7
Total Scheme Administration	**1,416**	**1,140**	**-276**
Total Investment Management and Scheme Administration	**4,566**	**4,353**	**-213**

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Division(s): N/A

PENSION FUND COMMITTEE – 6 SEPTEMBER 2013

Pension Administration – Service Performance

Report by Assistant Chief Executive and Chief Financial Officer

Introduction

1. This report is to update members on the current service performance of the administration team during the year to March 2013.

Team Structure & Staffing

2. Staffing levels have remained stable during the year with minor adjustments to some contracts for the number of hours worked resulting in a drop of FTE from 21.44 to 21.36.

3. Two periods of maternity leave has meant that staff, within the team, has been switching roles to provide cover and maintain service standards.

4. As reported in the most recent CIPFA benchmarking survey a quarter of staff in the Oxfordshire County Council Pension Fund (OCCPF) have between 1 – 5 years' experience. This combined with re-allocation of work to provide cover has resulted in high levels of in-house training.

Continuous Improvement

5. This is now well embedded in team culture. Team members use a feedback spreadsheet to record comments from scheme employers and scheme members along with ideas for improvement to processes that arise as part of their daily routines. Informal complaints and compliments are also recorded.

6. Additionally the team receives and reviews comments from both scheme employers and scheme members who have completed the quarterly customer survey forms.

7. Summaries of comments are evaluated by team managers to determine how these can be used in the review of our processes. This is then discussed at our team meeting and added to the schedule of work.

8. The quarterly newsletter to scheme members will give an update of where processes have changed as a result of comments being received, or where changes cannot be made normally because of a legislative reason.

Formal Complaints

9. If a scheme member wishes to complain about a decision regarding their pension they are encouraged to contact Pension Services to discuss the matter since many complaints arise as a result of misunderstanding or incorrect information.

10. However, if a complaint cannot be resolved informally the regulations set out a formal procedure, The Internal Dispute Resolution Procedure (IDRP). During the calendar year 2012 (the last full year recorded) a total of 15 complaints were received. These are summarised below:

Employer	Referred To	Summary	Decision
OCC	Internal - employer	Member had two part time posts - not told of the requirement to opt out of each post & so contributions were deducted. This matter has been resolved by Pay and Employment Information team.	Found
OCC	Ombudsman	Previous referral to Ombudsman resulted in case being reviewed by employer - again ill health not granted. This resulted in second referral to Ombudsman who has determined that employer has followed procedure.	Not found
Oxford City	IDRP 1 - employer	Seeking payment of pension benefits on grounds of ill-health. New medical assessment undertaken. Review confirms ill health not payable.	Not found
OCC	IDRP 1 - employer	Has three pension records / seasonal contract. Has been made redundant, but only one pension brought into payment - querying that decision. Employer reviewing process - awaiting update. Employer has now confirmed that remaining two records should be brought into payment.	Found
OCC	IDRP 1 - employer	Retired on 3rd tier ill-health - seeking a review of that decision.	Not found
OCC	IDRP 1 - employer	As a result of changes to employment now has two pension records. Complaint that employer had not properly informed of the impact these contract changes would have upon pension benefits. Employer has now confirmed that there should be one contract of employment.	Found
Cherwell DC	Ombudsman	Member disputing final pay used for calculation of benefits. 17.09.12. Ombudsman determination confirms that OCCPF has applied regulations correctly in calculation of final pay.	Not found
OCC	Internal 1	Complaint that deceased partner had provided pension and that no payments had been made. Due to time limits dealt with under OCC complaints procedure.	Not Found
OCC	IDRP 1 - employer	Ill-health retirement has been refused - complaint to employer asking them to reconsider that	Not found

		decision.	
OCC	IDRP 1 - employer	Not granted ill-health - appealing this decision.	Not Found
OCC	Internal 2	Complaint that deceased partner had provided pension and that no payments had been made. Due to time limits dealt with under OCC complaints procedure. Unhappy with stage 1 response - therefore referred to stage 2.	Not Found
Cherwell DC	Ombudsman	Complaint re transfer in outside of the 12 months not being allowed. Further compounded since wrong data used for calculation resulting in significant overpayment - member has not yet repaid - now referred case to TPAS (14.10.10). Stage 2 confirmed repayment of monies but states that there was mal-administration since authority should have understood member intentions. 01 October member has confirmed that he is now referring his case to the Ombudsman.	Still awaiting decision
OCC	Ombudsman	Complaint made against abatement to added years/pension following re-employment. 24.12.10 Ombudsman's determination is that the member shall repay monies over a 10 year period, but this is to be reduced by £750 in recognition of inconvenience and distress	Partially Found
Oxford City	IDRP 2 - employer	Seeking payment of pension benefits on grounds of ill-health. Review confirms ill health not payable. Stage 2 determination confirms that since member had resigned ill-health had been correctly assessed under deferred membership criteria.	Not found

Performance Data

11. The increased use of task management (where all work is recorded, allocated and monitored through the pension system) does give a better overall picture of workload for the overall team and individual team members, allowing managers to give more specific individual feedback and pick up any training or organisation issues.

12. Key performance indicators, set in our service level agreements, are monitored and reported monthly, with any variations from specification being investigated. The performance in comparison with industry standard performance indicators, is shown below:

Industry Standard PI's	Target	Achieved	Average
Letter detailing transfer in quote	10 days	93.5%	88.6%
Letter detailing transfer out quote	10 days	94.6%	89.3%
Process refund & issue payment voucher	5 days	67.4%	85.7%
Note: This has improved from previous year (49%) but has been designated as a lower priority due to staffing levels.			
Letter notifying estimate of retirement benefit	10 days	95.2%	90.2%
Letter notifying actual retirement benefit	5 days	99.0%	88.6%
Process and pay lump sum retirement grant	5 days	99.0%	88.6%
Letter acknowledging death of member	5 days	89.2%	92.1%
Letter notifying amount of dependent's benefit	5 days	74.4%	86.9%
Calculate & notify deferred benefits	10 days	41.0%	81.6%
Note: The OCCPF has a high number of part time members with multiple pension records. An exercise previously revealed that to meet these turnaround times created more work because many staff were then reemployed thereby increasing the level of re-do work. However, the completion rate within 10 days has risen from the 22% reported last year.			

13. In addition to the benchmarking the administration team have been looking at partnership working with other Local Authorities and have, as a result, identified further areas of good practice which could be adopted to feed into the continuous improvement.

RECOMMENDATION

14. The Committee is RECOMMENDED to note the report.

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers: None
Contact Officer: Sally Fox, Pension Services Manager, Tel: (01865) 797111

August 2013

Division(s): N/A

PENSION FUND COMMITTEE – 6 SEPTEMBER 2013

REVIEW OF PENSION FUND POLICIES

Report by the Assistant Chief Executive and Chief Financial Officer

Introduction

1. Under the various Local Government Pension Scheme Regulations, the Pension Fund Committee as the Administering Authority of the Oxfordshire Pension Scheme is required to produce and maintain a number of key policy documents. The last comprehensive review of all such policies was in June 2012. Since that time, a number of the policies have been updated in line with individual decisions taken by the Committee. This report presents the latest version of these policies for them to be formally endorsed by the Committee.

2. Whilst not a formally required policy under the LGPS Regulations, this report also presents a formal Scheme of Delegation to be endorsed by the Committee. This Scheme of Delegation brings together those areas previously agreed by this Committee where decisions have been delegated to officers of the Council.

Policies for Endorsement

3. The key policies to be reviewed and endorsed are set out as Annexes to this report. The key issues with each policy, including any changes to the Policy is set out below

<u>Annex 1 – The Funding Strategy Statement.</u>

4. The Funding Strategy Statement sets out the Fund's approach to managing the solvency of the Fund, and is the framework which guides the work of the Fund Actuary in completing the Triennial Valuation of the Pension Fund.

5. The initial Funding Strategy Statement was prepared in 2005 with considerable support from the Fund's then Actuary. The Committee carried out a consultation exercise as part of a fundamental review of the Statement in 2009/10 and agreed a number of changes to the Statement to increase flexibility around recovery periods, stepping arrangements and the treatment of admitted bodies. In March 2013 the Committee determined changes in respect of the pooling arrangement for academy schools.

6. As part of the current review, the Funding Strategy Statement has been updated to reflect previous decisions of the Committee in respect of cessation

valuations, and the approach required under the proposed New Look LGPS 2014.

Annex 2 – The Statement of Investment Principles

7. The Statement of Investment Principles sets out the Committee's approach to the investment of the Fund's resources. This document was also subject to a review in March 2013 when changes were agreed to reflect the outperformance target for the Fund as a whole, the voting policy and changes to the investment limits. No further changes are proposed at this time.

Annex 3 - Governance Policy and Governance Compliance Statement

8. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Governance Compliance Statement sets out the extent that this policy complies with best practice.

9. The only changes to the documents since the review in June 2010 have been to reflect the recent decision to increase the size of the Pension Fund Committee from 9 to 11 Members, and to note the growing number of Academy schools as a distinct group with no direct representation on the Pension Committee

10. The Fund remains only partially compliant in respect of scheme member representation and Committee member training. The latter issue arises from the fact that substitute members of the Committee are not restricted to those who have undergone specific pension fund training, and the Committee does not approve a specific training programme for the Committee members themselves.

Annex 4 – Communication Policy

11. The Communication Policy sets out the Fund's key communication messages and channels. It has been tidied up this year, although there are no fundamental changes in approach.

12. However as we head into a time of significant change for the Local Government Pension Scheme and pensions in general, we will be regularly reviewing this policy to ensure it meets the demands of communicating the changes within the New Look LGPS 2014, meeting the challenges of the new governance and transparency agendas, as well as meeting any formal requirements following the Department of Works and Pensions current review of the Disclosure Regulations.

Annex 5 – Early Release of Benefits Policy

13. The Early Release of Pension Benefits Policy covers the Administering Authorities approach to dealing with cases for early release of pension benefits where the last employer of the scheme member is no longer in

existence. This Policy was initially approved by the Pension Fund Committee at its meeting in December 2012.

Annex 6 - Scheme of Delegation

14. The Scheme of Delegation was introduced in June 2012 to bring together all areas where the Pension Fund Committee has previously delegated decisions to Officers of the Council.

15. The Scheme has been updated to reflect the various decision of this Committee over the last 15 months including:

- the officers responsible for determining complaints under the Internal Disputes Resolution Procedure (IDRP),
- officers responsible for determining the payment of death benefits,
- voting practices
- debt write offs below £500
- delegated powers under the new Early Release of Benefits Policy
- delegated powers under the new procedure for making payments to an authorised person where the scheme member is incapable of managing their own affairs and
- the admission of new admitted bodies.

RECOMMENDATION

16. **The Committee are RECOMMENDED to approve the revised policy documents as set out in Annexes 1-6 to this report, noting the main changes in the documents as discussed above.**

SUE SCANE
Assistant Chief Executive and Chief Financial Officer

Background papers: None
Contact Officer: Sean Collins, Service Manager (Pensions, Insurance & Money Management) – 01865 797190

August 2013

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Oxfordshire Pension Fund

Funding Strategy Statement

Introduction

1. The Oxfordshire Pension Fund is administered by Oxfordshire County Council under the relevant Local Government Pension Scheme Regulations. Under regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008, the Administering Authority must publish and keep under a review a Funding Strategy Statement. The Regulations further stipulate that this statement must be prepared with due reference to the relevant CIPFA guidance as published in 2004.

2. This current version of the Funding Strategy Statement for the Oxfordshire Pension Fund was approved by the Pension Fund Committee at its meeting on 14 June 2013. This statement replaces all previous versions of the Funding Strategy Statement, and is based on the initial version agreed in 2005, plus the changes agreed at the Pension Fund Committee meetings on 19 March 2010 and 8 March 2013 following a full consultation exercise with the scheme employers.

3. The Funding Strategy Statement will be subject to further review to allow for the impact of the forthcoming proposals for changes to the Local Government Pension Scheme itself, as well as the changing nature of membership of the Fund and the growing maturity of the Fund. Any change will only be made after full consultation with all scheme employers.

Purpose of the Funding Strategy Statement

4. The three main purposes of this Funding Strategy Statement are to:

    - Establish a clear and transparent strategy, specific to the Fund, which will identify how employer pension liabilities are best met going forward.
    - Support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.
    - Take a prudent longer-term view of the funding of the Fund's liabilities.

Aims and Purpose of the Pension Fund

5. The aims of the Pension Fund are to:
    - Enable employer contribution rates to be kept as near stable as possible, at a reasonable cost to the scheme employers and taxpayers, whilst ensuring the overall solvency of the Fund. The Administering Authority recognises a number of conflicting aspects within this aim, and is responsible for managing the balance between such conflicts. Balance needs to be struck between investing in higher risk assets which over the long term reduce the cost to scheme employers and the tax-payer, against investing in low risk assets which will reduce short term fluctuations in contribution levels required. Similarly a balance

needs to be struck between maintaining stable contribution rates and raising rates to ensure solvency.

- Ensure there are sufficient resources available to meet all pension liabilities as they fall due. This includes ensuring sufficient liquid resources to meet regular pension payments, transfer payments out of the Fund, lump sum payments on retirement etc. as well as meeting any drawdown calls on the Fund's investments. It is the Administering Authority's policy that all payments are met in the first instance from incoming employer and employee contributions to avoid the expense of dis-investing assets. At the present time the annual contributions to the Fund significantly exceed the payments out, so facilitating this aim. The Fund also retains a working balance of cash to ensure sufficient resources are available to manage the irregular nature of the payments out of the Fund.
- Manage the individual employer liabilities effectively. This is undertaken by receiving regular advice from the actuary, and ensuring employers are separately billed in respect of ad hoc liabilities outside those taken into account as part of the tri-annual valuation e.g. hidden costs associated with early retirements.
- Maximise the income from investments within reasonable risk parameters. As noted above, the achievement of this aim needs to be balanced against the need to maintain as near stable employer contribution rates. To minimise risk, all investments are made within the restrictions imposed by the Management and Investment of Funds Regulations, alongside a number of Fund specific restrictions to ensure a diversification of investment classes, and individual assets. The Fund cannot restrict investments on social or ethical grounds. The Fund's principal concern is to invest in the best financial interests of its employing bodies and beneficiaries. Investment Managers should monitor and assess the social, environmental and ethical considerations which may impact on the reputation of a particular company, as well as the company's sensitivities to its various stakeholders. Investment Managers should engage with companies on these issues where appropriate. Such a policy should ensure the sustainability of a company's earnings, and hence its merits as an investment.

6. The purpose of the Fund is to:
   - Pay out monies in respect of pension benefits, transfer values and the costs of scheme administration and investments; and
   - Receive monies in respect of contributions, transfer values and investment income.

Responsibilities of Key Parties

7. The effective management of the Pension Fund relies on all interested parties fully exercising their duties and responsibilities. The key parties involved are the Administering Authority, the individual employers within the Fund, and the Fund's Actuary.

8. The key responsibilities of the Administering Authority are to:

- Collect of all contributions due to the Fund. This includes making sure all employers within the Fund are aware of the requirement under the Pensions Act that all contributions are paid over by the 19th of each month following the month the member was paid, and escalating matters of non-compliance to the Pension Fund Committee. The Administering Authority is also responsible for the collection of final contributions once an employer ceases membership of the Fund.
- Invest all surplus monies within the Fund in accordance with the relevant Regulations, and the Fund's Statement of Investment Principles.
- Ensure there is sufficient cash available to meet all liabilities as they fall due.
- Maintain adequate records for each individual scheme member.
- Pay all benefits and transfer payments in accordance with the Regulations.
- Manage the Valuation process in consultation with the Fund's Actuary, providing all membership and financial information as requested by the Actuary, and managing all necessary communication between the Actuary and the individual Scheme Employers.
- Prepare and maintain all policy documents as required under the Regulations including the Funding Strategy Statement, the Statement of Investment Principles, the Communication Policy, and Governance Compliance Statement, consulting scheme employers and other stakeholders as required.
- Monitor all aspects of the performance of the Fund, and in particular the funding level of the Fund.

9. The key responsibilities of individual employers are to:

- Correctly deduct contributions from employee pay.
- Pay all contributions due to the Fund, including both employee and employer contributions, and additional contributions in respect of the hidden costs of early retirements, promptly by their due date.
- Exercise their discretion in line with the Regulatory Framework, including maintaining policies for early retirement, ill-health retirement, awarding of additional benefits etc.
- Provide adequate membership records to the Administering Authority as required.
- Notify the Administering Authority of all changes in membership details.
- Notify the Administering Authority of all issues which may impact on future funding, or future membership of the scheme at the earliest possible date.

10. The key responsibilities of the Fund Actuary are to:

- Prepare triennial valuations including setting employer contribution rates, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement.

- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

Solvency and Target Funding Levels

11. The Fund must determine the level at which the Fund will be deemed solvent, and should then aim for a target funding level whereby the assets of the Fund, and anticipated future income streams (by way of investment income and contributions) meet this solvency level in respect of the anticipated liabilities of the Fund.

12. The Funding Strategy Statement must set out how solvency and target funding issues will be addressed across different classes of scheme employer, and the timescales against which any deficit recovery plan must be delivered.

13. Solvency Level – The Pension Fund Committee has determined that the solvency level should be set such that the value of current assets, and anticipated income streams is equal to 100% of the anticipated value of future liabilities. Any lower figure cannot be sustained in the longer term, and therefore would introduce an unacceptable level of risk into the management of the Fund and the delivery of the Funds aims.

14. Funding Level – The funding level is the percentage the current assets and future income streams form of the anticipated liabilities at any given time. The Actuary will calculate the current funding level based on a series of financial assumptions to be agreed with the Administering Authority. In particular the Actuary will seek to smooth short term variations in asset values rather than taking the strict market value at the point of valuation.

15. In discounting the value of the liabilities back to the point of the valuation, the Actuary will in general allow for an assumed premium investment return from equity and other higher risk assets held in the Fund. Where the future participation within the Fund is not assured, or at the point a cessation valuation is required, the Administering Authority retains the right to instruct the Actuary to complete a valuation on a low risk basis, such that the future liabilities are discounted by reference to current gilt yields, with no allowance for the premium investment return from higher risk assets. Where an employer is pooled, or where another scheme employer is prepared to underwrite the financial risks, valuations can still be undertaken on an on-going/higher risk basis, even where there is a question about the long term participation of an employer within the Fund.

16. The funding level of individual employers will in general be based on a shared investment experience (i.e. it is assumed that the total assets allocated to each employer have an identical proportion of each asset class), but the individual membership experience of each employer’s individual scheme members (i.e. liabilities will reflect the individual retirement decisions of scheme employers/members, patterns of ill-health retirements etc, so that no one employer is required to subsidise the decisions of another – although see pooling arrangements below).

17. Deficit Recovery Plans – Where the triennial valuation identifies the funding level of any given employer has fallen below the target funding level a deficit recovery plan must be agreed. The Committee has agreed that in normal circumstances any deficit recovery plan must aim to restore the funding level to the 100% target within a maximum of 25 years. This was set as the standard Recovery Period in the 2007 Valuation.

18. The Administering Authority retains the right to require a shorter recovery period where it has concerns about the financial standing of the employer, or where it has concerns regarding the level of an employer's participation in the Fund going forward (e.g. significant decline in membership numbers, admission is linked to a short term service contract etc). Individual employers have the right to negotiate a lower recovery period than the standard period if they so wish.

19. In cases of exceptional financial hardship, and where the fall in funding level is seen to have been heavily influenced by short term factors which will not remain in the longer term, the Administering Authority does have the discretion to agree a longer recovery period than the standard 25 years, to maintain a more stable employer contribution rate. It should be noted that this discretion will not be exercised where the Administering Authority believes the nature of the pressure on the funding level is long term is nature, and the extension of the recovery period is simply going to shift the increase in contribution rates to a later period.

20. The Actuary, in consultation with the Administering Authority may choose to vary the recovery period downwards for any individual employer in order to maintain as near stable contribution rate as possible.

21. The Administering Authority also has the discretion to agree stepping arrangements with individual employers, to enable them to manage an increase in their contribution rate over a number of years. The standard stepping period will be a period of 3 years, but in exceptional circumstances the Administering Authority has the discretion to increase this to 6 years. This again should be seen as a mechanism for maintaining as near stable contribution rates as possible, rather than a means for delaying an inevitable increase in contribution rates.

22. The Administering Authority has the discretion to instruct the Actuary to set a contribution rate that recovers the deficit to the target funding level by way of a cash figure, rather than the traditional percentage of pensionable pay. This protects the Fund from the risk of under-recovery where the pensionable pay of the employer falls during the recovery period. Since the 2010 Valuation, the Administering Authority agreed that the deficit payments for all smaller employers must be made by way of a cash amount, whilst allowing the larger employers to determine between a cash amount and a percentage of pensionable pay.

23. <u>Pooling</u> – Whilst in general the funding level of each individual employer will be based on its own membership experience, it is recognised that this can create high volatility in an employer's contribution rate, and therefore their financial standing and/or their continued participation in the Fund.

24. Some of the most vulnerable employers within the Fund are the small transferee admission bodies, who have been admitted to the Fund following the successful bid for an outsourcing contract from one of the scheduled scheme employers. Not only are such employers exposed to the risks associated with their size, but because of the fixed term nature of their participation in the Fund (in line with the length of their service contract) they are less able to benefit from the discretions available in managing any subsequent deficit recovery plan.

25. The Administering Authority therefore has the discretion, following consultation with the sponsoring scheme employer, to allow such transferee admission bodies to be pooled with their sponsoring employer. As transferee admission agreements require the sponsoring employer to under-write any future pension costs associated with the transferee admission body, such pooling arrangements involve no greater risk whilst maintaining more stable contribution rates in regards to the delivery of the outsourced service. At the end of any such admission agreement, any cessation valuation can be under-taken on the standard high risk basis, or the assets and liabilities can be retained within the pool and the deficit carried forward and allocated as part of the re-tendering of the service.

26. The Fund has also pooled together the smaller scheduled/designated employers, and separately the remaining smaller admitted bodies. Each employer within the pool shares the same membership experience, so for example the costs of a single expensive ill-health retirement are shared across all employers in the pool rather than falling to the employer who employed the scheme member at the point of their retirement.

27. Following a consultation exercise at the beginning of 2013, the Administering Authority determined that all Academy Schools with 50 or less LGPS members should be required to pool as a standalone group. A small Academy School can seek the approval of the Administering Authority to permanently opt out of the pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities underwritten by the Academy Trust. Any Academy School with over 50 LGPS members has the right to opt to join the pool on a permanent basis.

28. The Administering Authority will also consider applications from individual academy schools under a single Umbrella Trust to operate a single pool for all academies within the Umbrella Trust. (The Administering Authority will treat a Multi-Academy Trust as a single employer and therefore with its own individual employer contribution which applies to all schools within the Trust – subject to total members exceeding 50).

29. If an employer ceases to be a member of the Fund (whether through choice, the ending of a service contract, or the departure of their last active member), the Administering Authority will instruct the Actuary to carry out a cessation valuation, unless the deficit is held as part of a pooling arrangement for a transferee admission body. As noted above, the cessation valuation will be undertaken on a low risk basis, unless another scheme employer has under-written the financial risk, or the employer is a member of a pool. The Administering Authority will explore payment plan proposals to meet the cessation cost over an agreed period of time, to reduce the risk of non-payment and ensure the Fund maximises the receipt of money due.

30. Where a scheme employer fails to meet the cessation valuation, the cost will fall to the sponsoring employer in the case of a transferee admission body, the other members of the pool for a pooled body, and the Fund as a whole in all other cases. Similarly, where liabilities accrue in respect of scheme members where their former employer is no longer a scheme employer (orphan liabilities), these liabilities will fall to be met by a sponsoring employer, specific pool or Fund as a whole in line with unmet cessation costs.

Links to Investment Policy as set out in the Statement of Investment Principles

31. This Funding Strategy Statement has been prepared in light of the Fund’s Statement of Investment Principles (SIP). This document sets out the strategic allocation of the Fund’s investments, the restrictions on investment, and the benchmarks against which Fund Management performance will be measured. A target outperformance of 1.0% above these benchmarks has been set for the Fund as a whole.

32. As noted above, the Actuary takes note of the actual investment allocation and the split between high and low risk assets in determining the discount factor to be applied to scheme liabilities. This allocation is in turn determined by the Statement of Investment Principles. As the Fund becomes more mature (i.e. the ratio of pensioners/deferred members to active members increases), the investment approach as set out in the Statement of Investment Principles will move to reduce the overall level of risk. This in turn will worsen the funding level, and require an increase in contribution rates to ensure solvency of the Fund as a whole.

33. The Fund has previously consulted on changing the Funding Strategy Statement to allow multiple investment approaches to reflect the different levels of maturity of individual scheme employers. The consultation identified no real appetite for such a change, nor a current need, and as such, the Fund maintains a single investment strategy for the whole Fund.

Identification of Risks and Counter-Measures

34. The Administering Authority recognises a number of risk areas in the establishment of its funding strategy. These risks fall broadly under the headings of financial, demographic, regulatory and governance.

35. The key financial risks are around the variations to the main financial assumptions used by the actuary in completing their valuation. This includes the financial markets not achieving the expected rate of return, and/or individual Fund Managers failing to meet their performance targets. The main approach to counter this risk is to ensure diversification of the investment portfolio, and the employment of specialist Fund Managers. The Pension Fund Committee with advice from their officers, and their Independent Financial Advisor monitor performance on a quarterly basis.

36. In completing their valuation, the Actuary does provide a sensitivity analysis around the key financial assumptions, including future inflation forecasts. The Actuary also produces a quarterly monitoring report to consider movements in the Funding Level since the last valuation.

37. The demographic risks largely relate to changing retirement patterns and longevity. The Actuary reviews past patterns at each Valuation and adjusts their future forecasts accordingly. Where possible, employers are charged with the cost of retirement decisions made outside the valuation assumptions and in particular, are required to meet the hidden costs of early retirements.

38. The regulatory risks are in respect of changes to the LGPS Regulations themselves, as well as the impact of changes in taxation and national insurance rules, and national pension issues (e.g. the current auto-enrolment changes). The Administering Authority monitors all consultation documents which impact on the Fund, and responds directly to the Government where appropriate. The Administering Authority will seek advice from the Actuary on the potential impact of regulatory changes.

39. The main governance risks arise through unexpected structural changes in the Fund membership through large scale out-sourcings, redundancy programmes or closure of admission agreements. The main measures to counter such risks are regular communications between the Administering Authority and scheme employers, as well as monitoring of the monthly contribution returns to indicate changing trends in membership.

40. The main governance risks can be mitigated to an extent, by the ability to set shorter recovery periods where there are doubts about an employer's future participation in the Fund, as well as the requirement to pay all deficit contributions by way of a cash figure rather than as a percentage of the pensionable pay bill.

Monitoring and Review

41. The Administering Authority has undertaken to review this Funding Strategy Statement at least once every three years, in advance of the formal valuation of the Fund.

42. The Administering Authority will also monitor key events and consider an interim review of the Funding Strategy Statement where deemed necessary. Such key events include:

- a significant change in market conditions,
- a significant change in Fund membership,
- a significant change in Scheme benefits, and
- a significant change to the circumstances of one or more scheme employers.

September 2013

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♦ STATEMENT OF INVESTMENT PRINCIPLES

1 Introduction

Oxfordshire County Council has drawn up this Statement of Investment Principles to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Authority has consulted its actuary and independent financial adviser in preparing this statement.

Investment policy falls into two parts: strategic management and day-to-day management. The strategic management of the assets is the responsibility of the Authority and is driven by its investment objectives set out below. Day-to-day management of the assets is delegated to investment managers as described in the management of the assets section below.

2 Overall Responsibility

The County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The review and monitoring of investment performance and fund administration is delegated to the County Council's Pension Fund Committee. The Assistant Chief Executive & Chief Finance Officer has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of seven County Councillors plus two District Council representatives. A beneficiaries' representative attends Committee meetings as a non-voting member.

The Committee meets quarterly and is advised by the Assistant Chief Executive

& Chief Finance Officer and the Fund's Independent Financial Adviser. The Committee members are not trustees, although they have similar responsibilities.

3 Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

1. to achieve a 100% funding level;
2. to ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments;
3. for the overall Fund to outperform the benchmark, set out in the next section, by 1.0% per annum over a rolling three-year period.

In looking to deliver these objectives the Committee will take into account the fact that the Fund is immature with the cash received from employer and employee contributions exceeding the cash required to pay benefits and the costs of administering the Fund. This enables the Committee to take a long term view.

Risk

There are several risks to which any pension fund is exposed. The overriding risk is a deterioration of the funding level of the Fund. This could be caused by the differential movement of markets within the global economy or investment managers performing poorly and not achieving their target rate of return, or even their benchmark return.

To mitigate such risks, the following strategy has been adopted:

- retaining a proportion of investments in bonds to reflect potential changes in liabilities;
- investing a proportion of the fund passively to limit the impact of

poor performance by investment managers;

- diversification of investments, including investing in alternative assets with a low degree of correlation;
- use of a number of different investment managers to spread the risk of poor performance.
- diversification of investment styles, e.g. growth and value

Investment managers are required to implement appropriate risk management measures and to operate in such a way that the possibility of undershooting the performance target is kept within acceptable limits. The managers report on portfolio risk each quarter.

Strategic asset allocation

In September 2009 the Pension Fund Committee agreed a customised benchmark for the strategic allocation of assets. This was most recently endorsed in March 2011 and is set out in the table below:

Asset Class	Target asset allocation %	Range %
UK Equities		
- passively managed	10	
- actively managed	21	
Total UK Equities	31	29 – 33
Overseas Equities		
- passively managed	8	
- actively managed	24	
Total Overseas Equities	32	30 -34
Total Equities	**63**	**59 - 67**
UK Gilts	3	
Index Linked Gilts	5	
Overseas Bonds	2	
Corporate Bonds	6	
Total Bonds & Index Linked	**16**	**14 - 18**
Property	8	5 - 9
Private Equity	10	6 - 11
Hedge Funds	3	2 - 4
Cash	0	0 - 5
Total Other Assets	**21**	
Total All Assets	**100**	

4 Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2011.

The assets are currently managed as set out in the following table.

Asset Class	**Investment Manager**	**Benchmark**	**Annual Target**
UK Equities	Baillie Gifford Legal & General	FTSE Actuaries All-Share FTSE 100	+1.25% Passive
Overseas Equities	UBS Global Asset Management	Various FTSE geographical indices	+1.0%
Global Equities	Wellington Legal & General	FTSE All World FTSE All World	+ 2.0% Passive
Bonds & Index Linked - UK Gilts - Index Linked - Corporate bonds - Overseas bonds	Legal & General	 FTSE A All Gilts Stocks FTSE A Over 5 year IBoxx Sterling Non-Gilts JPMorgan Global Govt (ex UK) traded bond	+ 0.6%
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index weighted average	+1.0%
Private Equity - Quoted Inv. Trusts - Limited Partnerships	 Assistant Chief Executive & Chief Finance Officer Adams Street Partners Group	FTSE smaller companies (including investment trusts)	+ 1.0%
Hedge Funds	UBS Wealth Management	3 month Libor	+ 3.0%
Cash	Internal	3 month Libor	-

\# Target performance is based on rolling 3-year periods

Legal & General have been given control ranges for each of the four sub categories of bonds & index linked. UBS Global Asset Management have been given control ranges for overseas equities relating to investment in their Global Pooled Fund and emerging markets. These ranges have been drawn up to ensure the Fund's investments remain well diversified.

Restrictions on Investment

The investment managers are prohibited from holding investments not defined as 'investments' in the LGPS (Management and Investment of Funds) Regulations 2009. Use of derivatives and currency hedging is permitted within pre-agreed limits. Underwriting is permitted, provided that the underlying stock is suitable on investment grounds and complies with existing investment criteria.

The regulations limit the powers of the Council to invest. The key restrictions are:

- not more than 10% (15%) of the Fund may be invested in unlisted securities of companies;
- not more than 10% of the Fund may be held in any single holding;
- not more than 10% of the Fund may be held as a deposit in any single bank, institution or person;
- not more than 2% (5%) of the Fund may be contributed to a single partnership
- not more than 5% (30%) of the Fund may be contributed to partnerships in total.
- not more than 10% of the Fund may be deposited or loaned to local authorities
- not more than 25% (35%) of the Fund may be invested in open ended investment companies where the collective investment schemes constituted by the companies are managed by one body.
- Not more than 25% (35%) in any single insurance contract.

Where figures are quoted in brackets, the Council could increase its limit as long as certain conditions are met.

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in any single insurance contract
- the limit on this investment has been increased to 35%
- this increase has been agreed to ensure that Legal and General retain the flexibility to manage their fixed income mandate within the limits previously set. Currently, Legal and General manage the allocations for passive UK and overseas equities, and the allocation for corporate bonds through a single insurance contract. Whilst the benchmark figure for the combined allocation to these funds is 24%, the flexibility provided to Legal and General to switch between corporate bonds and other elements of the fixed income mandate means the total allocation could rise above 25%. As the three component parts of the Legal and General contract are diversified, and operated within strict limits, it is not felt that this increase in overall limit exposes the Fund to undue risk.
- The increase has been agreed for a period not exceeding 18 months, and follows on from an agreement which covered the previous 2 years.
- The increase will be reviewed as part of the 2014 Fundamental Asset Allocation Review and expires no later than 5 November 2014.

- The decision to increase the limit has been made in accordance with the Regulations.

Realisation of Investments

Investment managers are required to maintain portfolios which consist of assets that are readily realisable. Any investment within an in-house or pooled fund which is not readily tradable requires specific approval. It is recognised that investment in Limited Partnership private equity funds are long term investments and as such are not readily realisable.

Monitoring and review

The individual manager's performance, current activity and transactions are monitored quarterly by the Pension Fund Committee. Investment management performance of the Fund is reviewed annually upon receipt of the annual report prepared by WM Performance Services.

5 Social, Environmental & Ethically Responsible Investment

The Council's principal concern is to invest in the **best interests** of the Fund's employing bodies and beneficiaries. Its Investment Managers are given performance objectives accordingly. However, the Council requires its Investment Managers to monitor and assess the social, environmental and ethical considerations, which may impact on the reputation of a particular company when selecting and retaining investments, and to engage with companies on these issues where appropriate. The Council believes that the operation of such a policy will ensure the sustainability of a company's earnings and hence its merits as an investment; it will also assess the company's sensitivity to its various stakeholders.

The Investment Managers report at quarterly intervals on the selection, retention and realisation of investments on the Council's behalf. These Report/Review Meetings provide an opportunity for the Council to influence the Investment Manager's choice of investments but the Council is careful to preserve the Investment Manager's autonomy in pursuit of their given performance. The Council will use meetings to identify Investment Managers' adherence to the policy and to ask Investment Managers to report regularly on any engagement undertaken.

6 Exercise of Rights attached to Investments

The Council takes an interest in the way the companies in which it has made investments manage their affairs. It will always exercise its voting rights to promote and support good corporate governance and socially responsible corporate behaviour.

In practice its Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, subject to an annual review by the Pension Fund Committee.

Investment Managers are required to report quarterly on action taken. The Council, through its Investment Managers, may act with other pension funds to influence corporate behaviour and, apart from the exercise of voting rights in concert with others, may make direct representation to the boards of companies through its Investment

Managers in concert with others, on issues of social responsibility.

7 Custody & Stock Lending

Custodian services are provided by BNY Mellon. In accordance with normal practice, the Scheme's share certificates are registered in the name of the custodian's own nominee company with designation for the Scheme. Officers receive and review internal control reports produced by the custodian. The custodian regularly reconciles their records with the investment manager records, providing a regular report to officers which they in turn review.

The custodian holds the majority of the Fund's assets. Exceptions include some pooled funds, held by the relevant Investment Manager's custodian, hedge fund assets and a working cash balance, which is held by the County Council and invested in the wholesale money market.

The Council allows the custodian to lend stock and share the proceeds with the Council. This is done to generate income for the Fund and to minimise the cost of custody. To minimise risk of loss the counterparty is required to provide suitable collateral to the custodian.

8 Compliance

The Council will monitor compliance with this statement annually. In particular it will obtain written confirmation from the Investment Managers that they exercised their powers of investment with a view to giving effect to the principles contained in the Statement so far as is reasonably practicable. The Council undertakes to advise the Investment Managers promptly and in writing of any material change to the Statement.

The Pension Fund Committee has assessed itself against the updated Principles of Pension Fund Investment in June 2010 and is broadly compliant. This statement also complies with the guidance given by the Secretary of State.

9 Review of this Statement

The Council will review this Statement in response to any material changes to any aspect of the Fund, its liabilities, finances and its attitude to risk, which has a bearing on its stated investment objectives. A formal review of the strategic asset allocation will be undertaken annually. In addition the Council will undertake a strategic review of this Statement every three years to coincide with the actuarial valuation.

Oxfordshire Pension Fund

Governance Policy Statement

Introduction

1. This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, as required under Section 31 of the Local Government Pension Scheme (Administration) Regulations 2008.

2. As required by the Regulations, the Statement covers:

    - Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
    - The frequency of any committee/sub-committee meetings;
    - The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
    - Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

Governance of the Oxfordshire Pension Fund

3. Under the Government requirements for a Cabinet structure in local government, the management of the pension fund is seen as a non-executive function i.e. the Cabinet or equivalent body should not carry it out.

4. Oxfordshire County Council, acting as Administering Authority for the Fund, has determined to delegate all functions relating to the maintenance of a pension fund to the Pension Fund Committee.

Oxfordshire Pension Fund Committee – Terms of Reference

5. Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:

    - The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
    - The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.

6. A more detailed interpretation of these terms of reference includes the following:

    a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
    b) regularly review and approve the asset allocation for the pension fund's investment
    c) approve and maintain the fund's Statement of Investment Principles
    d) approve and maintain the fund's Funding Strategy Statement
    e) approve and maintain the fund's Governance Policy Statement
    f) approve and maintain the fund's Communications Policy Statement
    g) appoint fund managers to manage the fund's investments, and to agree and review the terms of appointment for each fund manager
    h) review the performance of the fund, and its fund managers
    i) appoint an actuary, independent financial advisor(s), and custodians for the fund
    j) approve an annual report and statement of accounts for the fund
    k) approve an annual budget and business plan for the investment and administration of the fund
    l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
    m) consider all other relevant matters to the investment and administration of the fund.

Membership of the Committee

7. The Committee's members shall be appointed by full Council and shall comprise

- 9 County Councillors
- 2 Representatives of the City and District Councils of Oxfordshire.

These 11 members of the Committee shall have full voting rights. The County Councillors will be appointed such that the majority party on the Council has a majority of seats on the Committee before taking into account the political party of the City/District representatives.

8. The beneficiaries of the Fund will also have the right to be represented by an observer to the Committee. As employees of the County Council are prohibited from having voting rights on Council Committees, and as active employees of the County Council are the single largest group of stakeholders within the Fund, providing voting rights to the Observer could prejudice the appointment against the largest stakeholder group. Therefore the Observer will not have any voting rights, but has the right to speak on any issue, subject to the approval of the Chairman of the Committee. The Beneficiaries Observer will be appointed through the appropriate trade union(s).

Operational Procedures

9. The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.

10. At each meeting, the Committee will receive reports on the investment performance of the Fund. Fund Managers will be invited to attend to present information on the performance of their own portfolio, and to answer all appropriate questions from the Committee. The Committee shall determine the frequency by which each fund manager will be required to attend its meetings.

11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the individual fund managers.

12. Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.

13. The Committee will consult formally with all employers on issues where it has a statutory duty to do so, before it undertakes the responsibilities set out above. This includes the formal consultation with all employers before agreeing the Statement of Investment Principles, and the Funding Strategy Statement, and any significant subsequent changes.

Informal Governance Arrangements

14. As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.

15. The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.

September 2013

Oxfordshire Pension Fund

Governance Compliance Statement

Principle A – Structure

a.	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not Applicable
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: Oxfordshire County Council acting as Administering Authority has determined to delegate all functions relating to the management of the Pension Fund to the Pension Fund Committee.

Principle B – Representation

a.	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: • Employing authorities (including non-scheme employers e.g. admitted bodies) • Scheme members (including deferred and pensioner scheme members) • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis)	Partly compliant
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant

Please use this space to explain reasons for non-compliance

The Pension Fund Committee contains representatives of the County Council (9 Members) and the 5 City and District Councils (2 Members). The Committee is also attended by a Beneficiaries Observer, appointed by the Unions to represent all scheme members (including deferred and pensioners). The Committee though does not include any representation from other key stakeholders, including Brookes University, the colleges, the Housing Associations, the small scheduled bodies and small admitted bodies, and the Academy schools. It has been determined that given the decision to manage all functions through a single Committee, increasing representation to cover these other key stakeholder groups would make the Committee unworkable. These stakeholders are afforded the opportunity to contribute to significant decisions through consultation exercises, and the annual Forum for all employers.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Principle C – Selection and Role of Lay Members

a.	That committee or panel members are made fully aware of the status role and function they are required to perform on either a main or secondary committee.	Partly Compliant
b.	That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant

Please use this space to explain reasons for non-compliance A briefing is provided to all new members of the Committee members clearly setting out their role and responsibilities on the Pension Fund Committee. However this briefing is not given where substitute members attend the Committee.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Principle D – Voting

a.	The policy on individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: Voting rights have been extended to the two District Council representatives on the Pension Fund Committee. As current employees of the County Council cannot have voting rights on a Council Committee, and as this group forms the largest single stakeholder group within the Fund, it has been determined that the Beneficiaries Observer does not have voting rights, to avoid any perverse incentive to appointing a current employee of the County Council to the position. This decision is clearly stated in the Fund's Governance Policy.

Principle E – Training/Facility Time/Expenses

a.	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.	Compliant
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant
c.	That the Administering Authority considers the adoption of annual training plans for Committee members and maintains a log of all such training undertaken.	Partly Compliant

Please use this space to explain reasons for non-compliance

The Committee considers each year the allocation to be provided as part of the annual budget to be spent on Committee member training, but it does not adopt a specific training programme.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

The Committee approve a training budget each year as a specific part of the business planning purpose. Training sessions are arranged to take place before all Committee meetings. External training courses are brought to the attention of Committee members. Training is provided free of charge, with all legitimate expenses reimbursed.

Principle F – Meetings (frequency/quorum)

a.	That an administering authority's main committee or committee meet at least quarterly	Compliant
b.	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Non Applicable
c.	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

In addition to the quarterly meetings of the main Pension Fund Committee, the Fund holds an annual Pension Fund Forum, attended by Committee Members, to which all employers are invited.

Principle G – Access

a.	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

All information on which decisions at the main Committee are based is equally available to all Members. Under the Council's Constitution, the Chairman, Deputy Chairman and Opposition Spokesperson are invited to a briefing meeting in advance of each Committee meeting, and as such receive a briefing not available to other members, including representatives of the third political party.

Principle H – Scope

a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: The Pension Fund Committee is responsible for all aspects of managing the pension fund, and receives reports on both investment and scheme administration issues. The terms of reference include the wide power to consider all relevant investment and administration issues.

Principle I – Publicity

a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Annex 4

OXFORDSHIRE PENSION FUND

COMMUNICATION POLICY STATEMENT

Introduction

1. This is the Communication Policy Statement of the Oxfordshire Local Government Pension Scheme Pension Fund, established within the 1995 Regulations and transferred to the Local Government Pension Scheme (Administration) Regulations 2008

Purpose

2. This policy sets out the Oxfordshire Pension Fund's strategy for its communications with members, members' representatives and employing authorities.

3. The strategy also covers the promotion of the scheme to prospective members.

4. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:

   - Active members
   - Deferred members, and
   - Pensioner members

5. Employing authorities, as defined within the regulations : -

   - Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
   - Resolution Bodies being the Town and Parish Councils
   - Admission Bodies, where the Pension Fund Committee have granted scheme admission

Aim

6. To ensure that all members and scheme employers, as defined above have access to full information about the scheme, their benefits, or prospective benefits due from the scheme and about the changes, both actual and proposed to the scheme regulations.

7. Oxfordshire County Council, as administering authority will make available to all scheme employers any documents relating to consultation of changes to the regulations so that they can undertake the consultation with their employees.

Communication Policy

8. Appendix 1 details the current procedures, the types and frequency of specific communications to members. The table reflects the change in method of communication gradually being adopted across the fund whilst there is no material change to the policy in the matter of what information is available.

Review of This Policy

9. It is probable that a review of the policy will be required within the next year following the results of the recent Department of Work and Pensions review of the disclosure regulations, expected in the Autumn. We will also have to review the regulatory changes under the New Look LGPS 2014. Combining new regulations and considering different delivery models we may have to make material changes to this policy in the near future.

Communication Issue	**Target audience**	**Method**	**Frequency**
Communication Policy	• Employers • Members – active, deferred pensioner and deferred pensioner members • Prospective scheme members • Employee representatives	• Include in all next issues of newsletters • County web site • Make available for employers in the fund for their sites	Initial publicity and then after any future changes to the policy.
Pension Fund report and accounts	• Employers • Committee • DCLG	• Distribution of printed report by post and PDF to all employers • On Website	Annually following approval by Pension Fund Committee
Summary of fund report and accounts	• Members	• Included with the pensioner's annual increase letter • Included with one of quarterly newsletter's for active members	Annually
Pensions Increase Notification	• Pensioner members	• Post • Pension pages on county public Web site	Annually – in February/March
Annual Benefit statements	• Active • Deferred members • Credit Members	• Post to individual members' home addresses, or distributed in sealed envelopes via employers	Annually - to be completed by September
Employers Forum	• Employers in the Oxfordshire Pension Fund	• Meeting	Annually - December
Regular, quarterly newsletters; .	• Active Scheme members • With one newsletter including summary	• Paper distribution with assistance from employers. • PDF to all	Quarterly

	of fund accounts active members	employers – can be posted to their intranet or used to email • Available to download from pension pages on the County's public website	
Beneficiaries' Report from the Pension Fund Committee beneficiary's advisor.	• Active members • Employee representatives	• E mail distribution to Employers for notice boards and intra nets • Posted to the Pension Fund pages on the County's public website •	Quarterly
Support for employers: Pensions User Group and employer meetings Newsletter Talks and guides	• Employer Human Resource and Payroll contacts	• Meeting and topical presentations • Email distribution of agenda • On-line 'toolkit' administration guide for all employers on pension pages on County's public website. • Email newsletter distribution. • Introduction to the LGPS and administration for new employers	Quarterly Regular review to keep current Monthly to all employer contacts Ad hoc

Communication Issue	**Target audience**	**Method**	**Frequency**
LGPS Summary information guide and topic leaflets for members Membership forms Opt out forms	• Prospective and active scheme members • Employers for new starters, job application packs to carry out their automatic enrolment duties	• All forms, leaflets and guides are on the pension pages of the County public website to down load. • We do supply paper copies on request Download from County web site • Email	All year.
Provide presentations and talks on LGPS matters Facilaite pensions seminars for Prudential 'Basic LGPS scheme and AVC talks'	• Active members • Employers	• Staff meetings • Part of pre retirement courses • Induction meetings for new joiners • Active members group meetings	All Ad hoc as required Timings as agreed with the Prudential and individual employer area
Development of electronic information systems, external County Council web site	All targeted audiences should be able to access information, especially from the external site.	Website pages as part of the County Council public site	Regular reviews to provide current information for employers and scheme members

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PF18 – Annex 5

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

EARLY RELEASE OF BENEFITS POLICY STATEMENT

Introduction

1. This Early Release of Benefits Policy Statement of the Oxfordshire County Council Local Government Pension Scheme Pension Fund is published under the Local Government Pension Scheme (Miscellaneous) Regulations 2011. SI 2012 No. 1989.

2. The Local Government Pension Scheme (Miscellaneous) Regulations 2012 refers only to members with a deferred benefit due under the LGPS (Benefits, membership and Contribution) Regulations 2007. However, to ensure consistency the Oxfordshire County Council Pension Fund will also apply this policy to deferred and pensioner members to whom the 1995 and 1997 Regulations apply.

Purpose

3. This policy sets out the Oxfordshire County Council Pension Fund's strategy to deal with request for the early release of member benefits in cases where the former employer no longer exists, and there is no successor body, within the Oxfordshire County Council Pension Fund.

4. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:

   - Deferred members
   - Pensioner members with deferred benefits

5. Employing authorities, as defined within the regulations : -

   - Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
   - Resolution Bodies being the Town and Parish Councils
   - Admission Bodies, where the Pension Fund Committee have granted scheme admission

Aim

6. To ensure that all scheme members whose former employer is no longer an active scheme employer, has access to a procedure to request early payment of their benefits, in the following circumstances: -

- Where a scheme member applies for early payment of benefits on, or after age 55 but prior to age 60, which requires the consent of their former employer for payment to be made.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

EARLY RELEASE OF BENEFITS POLICY STATEMENT

- Where a scheme member applies for early payment of benefits on the grounds that the member has become permanently incapable of discharging efficiently the duties of their former employment because of ill-health or infirmity of mind or body and has a reduced likelihood of being capable of gainful employment before normal retirement age, or at least three years, whichever is earlier. This will require the Oxfordshire County Council Pension Fund to obtain an opinion from an Independent Registered Medical Practitioner, before agreeing to the release of any benefits.

- Under the LGPS (Benefits, Membership and Contributions) Regulations 2007 an employing authority can agree to waive, on compassionate grounds, any actuarial reduction that would be applied to benefits paid earlier than the member's Normal Retirement Age

- A member who has a tier 3 ill health pension that has been suspended can apply to the former employing authority to have the suspended pension brought back into payment on or after age 55 but an election prior to age 60 is ineffective unless the former employing authority agrees to the early release on the grounds that the member has become permanently incapable of undertaking any gainful employment. The former employing authority has to obtain an opinion from an Independent Registered Medical Practitioner before agreeing to bring the suspended pension back into payment on these grounds.

7 Note: Where a scheme member has deferred benefits under the 1995 or 1997 regulations, the provision of those regulations will apply to any application

Decision Making

8 In making any decision the Oxfordshire County Council Pension Fund will take account of:

- Employing authorities' policy statements relating to the exercise of discretion, where available.
- The cost of making any such decision (if these costs are not justifiable Oxfordshire County Council Pension Fund can refuse the request for early release of benefits)
- How the costs will be met, doubtless by all current fund employers.
- Waiving, on compassionate grounds, of any actuarial reduction to be applied on the payment of deferred benefits before Normal Retirement Age under the LGPS Regulations 1997, or
- The early release of (unreduced) deferred benefits on compassionate grounds under the LGPS Regulations 1995.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

EARLY RELEASE OF BENEFITS POLICY STATEMENT

Review of This Policy

9 This policy will be reviewed if there is a material change as a result of regulation change.

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Pension Fund Scheme of Delegation

Introduction

1. The Council's Constitution sets out the general Scheme of Delegation to the Strategic Directors and a small number of other Officers. These named posts are therefore authorised by the council to exercise the specific powers and functions of the council.

2. It is not possible for such a small number of people to take all the necessary decisions and authorise expenditure, and therefore further delegation of these powers is allowed. The Scheme of Delegation is the formal record of that authorisation.

3. The Scheme of Financial Delegation is made by Joanna Simons, Chief Executive, in accordance with the Contract Procedure Rules (part 8.3) of the Council's Constitution, to enable delegation of her authority to sign contracts and other financial authorisations. The levels of delegation applicable to pension fund authorisations and financial transactions are shown within the Chief Executive's Office Scheme of Delegation and the Oxfordshire Customer Services Scheme of Delegation. Appendix (a) shows the main extracts of the schemes of delegation which were relevant to usual pension fund administration and investment activities, at the date of the report.

4. Schemes of Financial Delegation are reviewed and amended throughout the year. Amendments are signed off by relevant service directors, the section 151 officer and the county solicitor.

5. In addition to the responsibilities listed in the Council's schemes of delegation, some additional responsibilities for functions specifically related to pension fund activities have been delegated to officers by the Pension Fund Committee.

Internal Disputes Resolutions Procedure (IDRP)

6. Under the Local Government Pension Scheme (Administration) Regulations 2008, a Member of the Pension Scheme has a right to raise a complaint in respect of their pension entitlement with their employer (or previous employer where they have left the employment to which the dispute relates).

7. The complaints procedure has 3 stages. Stage 1 will be determined by the relevant scheme employer or the Administering Authority depending on the nature of the complaint. Stage 2 is an independent review of the complaint by

a person with delegated authority from the Administering Authority. Stage 3 is determined by the Pensions Ombudsman.

8. At their meeting in December 2012, the Pension Fund Committee delegated authority to the Pensions Services Manager to determine cases on behalf of the Administering Authority at Stage 1, and the Service Manager (Pensions, Insurance & Money Management) to determine all cases at stage 2. In both cases, the Committee determined that the relevant offer can agree an award of compensation up to £5,000 subject to a report back to the next meeting of the Pension Fund Committee. Any award of compensation above £5,000 must be determined by the full Pension Fund Committee.

Death Benefits

9. The Local Government Pension Scheme Regulations (2007) state that if a scheme member dies before his 75th birthday, the administering authority at their absolute discretion may make payment, in respect of the death grant to or for the benefit of the member's nominee or personal representatives or any person appearing to the authority to have been his relative or dependant at any time.

10. In accordance with the Council's Constitution and Scheme of Delegated Powers, death grant decisions can be made by the Chief Executive in consultation with the Chairman of the Pension Fund Committee.

11. At their meeting in June 2012, the Pension Fund Committee delegated authority to the Team Leaders in the Pension Services Team to determine all non-contentious cases. (N.B. Delegation was made to this level to avoid potential conflict in the case of complaint which would be heard by the Pension Services Manager at Stage 1 – see complaints delegation above).

Power of Attorney – Custody Accounts

12. The Pension Fund's Global Custodian makes arrangements for the custody of assets in relevant countries. Where they do not have a presence in a particular country, a sub-custodian may be appointed. In some countries regulators require the Pension Fund to grant a Power of Attorney to allow the sub-custodian open an account on behalf of the Fund.

13. In March 2011, the Pension Fund committee delegated decision-making related to the custody of assets to the Chief Finance Officer and Monitoring Officer, after consultation with the Chairman of the Committee.

Pension Fund Cash Management Strategy

14. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions exceeding the amount of payments made on behalf of the Fund. The cash balances held by the administering authority are managed by the Council's Treasury Management

and Pension Fund Investment team. The Pension Fund Committee have delegated authority to the Assistant Chief Executive and Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy.

15. To avoid cashflow deficits or the excessive build up of cash over the strategic asset allocation, the level of cash balances is reviewed as part of a quarterly asset allocation by the Independent Financial Adviser and the Pension Fund Investments officers.

Strategic Asset Allocation

16. The Pension Fund strategic asset allocation is approved by the Pension Fund Committee and is periodically reviewed by the Independent Financial Adviser. Due to market volatility and the varying performance levels of fund managers, the actual asset allocation fluctuates on a daily basis.

17. The Independent Financial Adviser and officers review the actual asset allocation on a quarterly basis and make arrangements to transfer assets or cash to fund managers, to rebalance the fund.

18. Decisions to rebalance the fund within approved strategic asset allocation ranges are delegated to officers. Arrangements to rebalance the fund outside the strategic asset allocation ranges, are taken after consultation with the Chairman of the Pension Fund committee, and reported to the next Committee.

Voting rights

19. Investment Managers are delegated authority to exercise voting rights in respect of the Pension Fund's holdings. At their meeting in March 2013, the Committee removed the requirement to refer all voting decisions where the decision was to vote against RREV recommendations to the Service Manager (Pensions, Insurance & Money Management) to determine under delegated powers.

Private Equity

20. In February 2011, the Pension Fund Committee resolved to transfer the responsibility for private equity fund management decisions to the lead officer for Pensions Investment. The Fund's Independent Financial Adviser is responsible for advising officers on the management of the private equity portfolio. Officers consider the advice and decide whether or not to act on the recommendations. In practice, private equity decisions are delegated to the Service Manager, Pensions Insurance and Money Management, or in his absence the Principal Financial Manager, Treasury Management and Pension Fund Investments.

Early Release of Benefits

21. At its meeting in December 2012, the Pension Fund Committee delegated to a panel of officers, following consultation with the Chairman, authority to determine cases under the Early Release of Benefits Policy where the scheme member's previous employer no longer existed.

Admission of new Admitted Bodies

22. At its meeting in September 2011, the Pension Fund Committee delegated the authority to agree the admission of new Admitted Bodies to the Oxfordshire LGPS Fund to the Chairman, Deputy Chairman and Opposition Group Spokesperson.

Payment of Benefits to an Authorised Person

23. At its meeting in September 2012, the Pension Fund Committee delegated to the Assistant Chief Executive and Chief Financial Officer, following consultation with the Chairman, Deputy Chairman and Opposition Group Spokesperson, the authority to determine payments to an authorised person in instances where the scheme member is incapable of managing their own affairs.

Scheme of Financial Delegation - Extracts **Appendix (a)**

Authority to Sign Purchase Orders, Invoices and Contracts for the Oxfordshire County Council Pension Fund

Sole signatories for Pension Fund Goods and Services

Up to £500,000 for Goods and Services,

Chief Executive

Assistant Chief Executive and Chief Finance Officer

Director for Environment & Economy

Up to £200,000 for Goods and Services

Deputy Chief Finance Officer

Service Manager – Pensions, Insurance and Money Management

Principal Financial Manager – Treasury Management & Pension Fund Investments

Pension Services Manager

Up to £25,000

Team Leader – Pensions Administration

Team Leader – Pensions Administration

Joint signatories for Pension Fund Goods and Services

Up to £500,000,

Deputy Chief Finance Officer

Service Manager – Pensions, Insurance and Money Management

with the Chief Executive for Goods and Services over £500,000.

Assistant Chief Executive and Chief Finance Officer

Deputy Chief Finance Officer

With the s151 officer for Goods and Services over £500,000

Director for Environment and Economy

Income (Debt) Write Offs

Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee. The authorisation of debt write offs up to and including £10,000 is delegated to the Service Manager – Pensions, Insurance and Money Management in conjunction with:

Assistant Chief Executive and Chief Finance Officer for amounts between £7,500 and £10,000 and with the Deputy Chief Finance Officer for amounts below £7,500.

Cash Management

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, state that the Administering Authority must hold in a separate bank account all monies held on behalf of the Pension Fund and formulate an investment policy to govern how the authority invests any Pension Fund cash.

Management of the Oxfordshire Pension Fund cash balances is delegated to the Treasury Management team. The Treasury Management team responsible officers list is authorised by the Section 151, or Deputy Section 151 Officer

Officers authorised to enter into Money Market arrangements are listed as Dealers on the Treasury Management Responsible Officers List.

Fund Management and Custody Agreements – 2 signatories required

Service Manager – Pensions, Insurance and Money Management

Principal Financial Manager – Treasury Management and Pension Fund Investments

Authorisers listed in the approved Treasury Management Responsible Officers List.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 19

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Division(s): N/A

PENSION FUND COMMITTEE – 06 SEPTEMBER 2013

EMPLOYER UPDATE

Report by Assistant Chief Executive and Chief Financial Officer

Introduction

1. This report is to update members on recent employer issues including applications for admission and the closures of scheme employers.

Update on Previous Applications for Admission

2. The progress on previously agreed admission for:

- Pabulum application has been withdrawn.
- Fresh Start Catering – one admission agreement has been circulated, for signature but still awaiting signed copy; second contract still to be finalised.
- Hayward Cleaning Services – admission agreement to be finalised
- Carillion – a revision to the admission agreement to include the additional 61 staff has been circulated but not yet signed.
- Banbury Museum Trust admission has been rescheduled to 01 October 2013

3. The novation of the admission agreement from Abingdon Citizen's Advice Bureau to the Oxfordshire South & Vale Citizen's Advice Bureau was signed on 15 July 2013

4. The Deed of Rectification to extend the Vale Capita admission to 2016 and incorporate a further group of staff who transferred to Capita has been circulated for signing.

New Requests for Admission

5. The contract for further education and career advice for young people with special needs has been re-tendered. The previous provider (Connexions) was unsuccessful (please see closure below) and the contract has been awarded to Adviza for a period of one year with a possible twelve month extension, from September 2013.

6. Adviza are taking on the 4 staff that currently provide this service within Oxfordshire and are seeking admission to the fund as a Transferee Admission Body.

7. However, unlike previous contracts this is not a pass through arrangement and so all pension costs will be attributable to the contractor. A bond

assessment is being carried out, and the Council as the contracting employer will need to determine whether to require a bond to be put in place, or carry the risk of having to pick up any future deficit payable to the Pension Fund.

8. In addition an application for admission has been received from the following companies:

- Edwards and Ward
- Civica
- School Lunch Company
- Ecocleen Ltd

9. In all cases these companies will be providing services to either maintained schools and / or academies from 01 September 2013.

10. Maintained schools are required to take account of Fair Deal requirements when outsourcing any function, which is not happening in many cases; whereas academies are not required to do so but are taking account of Fair Deal.

11. Whilst the companies have been proactive in contacting the OCCPF it has been difficult in getting information from the schools, particularly during the holiday periods. As a result little information can be included in this report.

<u>Employer Cessation</u>

12. The admission agreement for **Connexions** will cease on 31 August 2013. This admission agreement was linked to the contract for services and was set up on a pass through arrangement with liabilities remaining with Oxfordshire County Council.

13. **Elmore Community Services** advised that they would cease to be a scheme employer as at 31 March 2013. A subsequent closure valuation has confirmed that as an employer they are fully funded and there are no monies to pay.

14. **Oxfordshire Council for Voluntary Action (OCVA)** has contacted the Fund to say that their final scheme member is leaving employment at end December 2013. An actuarial valuation of liabilities is currently being assessed.

15. **AAA Norcap –** at the March meeting Committee was advised that this scheme employer had gone in to administration. The cost of the cessation valuation was £316,000.

16. Following the redundancy of the one remaining staff member there was an additional early strain cost of £27,209 which made the overall payment due to the Oxfordshire County Council Pension Fund total £343,029.

17. A claim has been submitted to the appointed administrators, Wilkins Kennedy.

18. Wilkins Kennedy has advised that they will be writing a report shortly to all creditors. However, indications are that as an unsecured creditor little, if any, of this amount will be recovered.

19. **SOLL Leisure** has advised that company is no longer trading and is seeking to appoint administrators to wind up this company. As yet OCCPF has not been advised of the administrator's details.

20. A closure valuation has been undertaken and the deficit to be recovered, calculated on an on-going basis, amounts to £38,000.

21. **Stonhams** has advised that their last scheme member left employment in February 2013. The request for a closure valuation has been delayed due to data issues but at the time of writing the report this valuation had been requested.

RECOMMENDATION

22. **The Committee is RECOMMENDED to:**

a) note the progress of previously approved applications for admitted body status;
b) approve the application for admitted body status by Adviza
c) delegate the approval of new admission bodies detailed above to the Service Manager (Pensions) following consultation with the Chairman of this Committee; and
d) note the cessation of scheme employers.

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers: None
Contact Officer: Sally Fox, Pensions Manager, Tel: (01865) 797111

July 2013

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Division(s): N/A

PENSION FUND COMMITTEE – 6 SEPTEMBER 2013

THE LGPS REGULATION UPDATE

Report by Assistant Chief Executive and Chief Financial Officer

Introduction

1. The Committee previously received reports in March 2012, December 2012 and June 2013 regarding the New Look Local Government Pension Scheme (LGPS). This report is to further update the Committee on the progress of the implementation of the New Look Local Government Pension Scheme (LGPS) 2014 and the Regulations which have been issued to date for comment.

LGPS 2014

2. In June 2013 DCLG issued consultation documents seeking comments on a further draft of the regulations due to come into force in April 2014. The consultation paper included a more detailed set of draft regulations and issued a set of questions for respondents to answer.

3. A copy of the response made by Oxfordshire County Council Pension Fund is attached at Annex 1.

4. It is anticipated that a further set of draft transitional regulations will be issued in September. This further information should enable Pension Services to move towards finalising the communication plan for employers and scheme members.

Consultation on Councillor Pensions

5. The website of Department of Communities and Local Government is showing that this consultation has closed and responses are currently being analysed.

Governance

6. As reported last quarter, the Public Services Pension Act 2013 included several key provisions relating to the governance of the new public service pension schemes. In the case of the Local Government Pension Scheme it is proposed that these will apply to new arrangements from April 2014.

7. The consultation paper issued by DCLG explores the specific sections of the Act which impact on the governance arrangements in the new scheme and set

out a number of questions on which it welcomed views. Responses had to be provided by 30 August 2013.

8. The full written response submitted on behalf of this Committee is contained at Annex 2. The key point included in the response was the need to keep separate the role of the new Pension Boards and the current Pension Fund Committees who fulfil the role of the Scheme Manager under the terminology of the Act.

9. Combining the role of the Scheme Manager and Pensions Board would not allow for the appropriate level of Scrutiny envisaged by the setting up of the Pension Board, as well as requiring the Pension Committee to be re-constituted with equal numbers of employer and employee representatives.

10. Other issues covered in the response where

- the preference for leaving the regulations open, thereby allowing each Pension Board discretion in determining how best to meet its duties,
- providing the Board with some teeth so that it had the right to call in decisions of the Scheme Manager for review before they can be enacted, as well as call for the removal of anyone failing to take their responsibilities as a Scheme Manager seriously and failing to complete the necessary skills and knowledge training,
- the need for guidance on membership of the Pension Board to ensure appropriate representation from amongst the Fund employers and employees, as well as a mechanism for resolving matters of disputed membership,
- a preference to simply roll forward the existing Shadow Scheme Advisory Board to take on the role of the new Scheme Advisory Board, and
- a preference for the Boards to start their responsibilities from April 2015, in line with the timescale for the Pension Regulator to take on their new role.

Call for Evidence Consultation

11. The third consultation published by the Government over the summer, this time in conjunction with the Local Government Association was the Call for Evidence on the future structure of the Local Government Pension Scheme. Responses are required by 27 September 2013, so the Committee is invited to comment and amend if necessary the draft response included at Annex 3.

12. This response follows the five key questions set out in the consultation document and sets out the key points below:

- Local accountability is not necessarily best served by retaining the current governance arrangements. These do not fully allow for the representation of the elected members of all local councils. There also needs to be clarity in respect of what elements of cost are locally determined given the role of Government in determining the Regulations which drive the cost of liabilities.

- In looking at efficiency and cost effectiveness, there is a need to ensure measures are focussed on the key role of the Administering Authority to make timely and accurate payments of pensions. Investment returns, fund deficits, investment fees etc are all important, but should not be considered in isolation from each other, and more importantly from the local circumstances of the Fund.
- There is unlikely to be one single solution for reform which applies across the whole Country, and the options of Fund Mergers, procurement frameworks, super-pools, etc all have their place. Pension Funds should be asked to assess themselves against best practice based on their local circumstances and determine the appropriate way forward for themselves, subject to the review of the new Pension Boards. These decisions should be allowed to build on the many arrangements already in place.
- There is clear need to develop consistent performance data to enable the assessment of individual Pension Funds. This needs to be developed on a balanced scorecard basis, as no one factor tells the full story, and whether certain results reflect good performance depends in large part on the local circumstances of a Fund e.g. level of management fees cannot be taken in isolation from investment performance, risk appetite and funding level – high investment returns when fully funded and close to maturity could suggest too much risk is being taken, at too high a level of fees, whereas the same results would be welcomed in a Fund with a lower funding level and high positive cash flow.
- Key performance data also needs to include data on pensions in payment and customer satisfaction – no point in being fully funded with high investment returns etc if unable to pay pensions on a timely and accurate basis.

13. It is the intention of the Government and the Local Government Association to review the responses from the Call for Evidence and issue a formal consultation response on the options for change later this year.

RECOMMENDATION

14. The Committee is RECOMMENDED to note the consultation responses included at Annexes 1 and 2, and agree any changes to the draft consultation response at Annex 3 for submission to the Department for Communities and Local Government.

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers: None

Contact Officers:

Sally Fox: Pension Services Manager, Tel: (01865) 797111

Sean Collins: Service Manager (Pensions, Insurance & Money Management)
Tel: (01865) 797190

August 2013

ANNEX1
Date: 01 August 2013
Our Ref: SAF/
Your Ref:

OXFORDSHIRE COUNTY COUNCIL

Pension Services
Unipart House
Garsington Road
Oxford
OX4 2GQ

Sally Fox
Pensions Services Manager

Philip Perry
LGPS 2014 Consultation
Workforce, Pay and Pensions Division
Department for communities and Local Government
Zone 5/G6
Eland House
Bressenden Place
London
SW1E 5DU

Dear Philip,

Local Government Pension Scheme (LGPS) – 2014 Consultation

I am writing on behalf of Oxfordshire County Council Pension Fund in reply to the consultation paper issued in June 2013. Please find our comments below:

Q1 – Regulation 16 – Is the Department right in saying that the take up of additional survivor benefits is extremely low?

Over whole fund only 45 members are paying ARCs and of those there are 23 paying for survivor benefits.

Q2 – Regulation 39 – Should there be an enhancement in this way give that there would be no equivalent protection for a member who remained in part time work rather than taking ill-health retirement?

We would support the comments made by LGA that this is inequitable and that members who remain in part time work should be given a protection for a period of three years.

Q3 – Regulation 51 – Comments are requested as to whether this Regulation should be retained or if it would be sufficient to rely on the overriding legislation.

This should be retained within the Regulations. It provides an immediate point of reference and removes any doubt as to administrative requirements.

Q4 – Regulation 54 – Is there a need to provide for separate admission agreement funds to be established in the new scheme?

The facility for administering authorities to be able to provide separate funds is useful, even if it is not used at present. Indeed given the rate at which new employers are being created in funds either due to outsourcing or academy conversion it would seem sensible to make

provisions for funds to be able set up funds for specific groups of employers should they wish to do so.
Q5 – Regulation 69 – Is the list of statement items shown at Regulation 69(3)? If not, could you please describe what needs to be included?

The LGA response provides the comprehensive list.

Q6 – Regulation 70 – Should we include provision for interest to be paid on the late payment by scheme employers? If so, what period would constitute late?

Regulation 70 and Regulation 71 allow funds to make an interest charge for payments made later than one month after the due date.

What would be more helpful would be the ability to apply a charge to employers who consistently make late payment for example four late payments within a rolling 12 month period.

Q7 – Regulation 88 – Should the new regulations set out what fund should pay in the case where an administering authority has more than one fund?

This regulation already states that payment must be made from the appropriate fund held by the administering authority.

Q8 – Regulation 91 – Do you think the current forfeiture provisions which have been carried forward into these draft regulations work well, or would you prefer it all to be dealt with by the courts with the removal of the role of the Secretary of State?

From the limited experience in using this regulation found it to work well and see no need for any amendments.

Related Specific Questions: -

Assumed Pensionable Pay

There are no other circumstances we would wish to see listed.

Club Transfers

Major concerns over how these will work from April 2014. Await further information with interest.

Former Scheme Employers

In practice even if the former scheme employer still exists once they have left the scheme there would be little / no interest in making decisions regarding deferred members, which would become more apparent with the passing of time. The system of handing this decision to the Administering Authority means that any requests will be dealt with on a consistent basis.

No changes to draft regulations required to manage deficits of former scheme employers.

Employers' contributions to be no less than employees' contributions

Agreed, need to remain in cost parameters defined.

Specific circumstances where "scheme employer" may not work

No examples – references seem fine.

Adjustment of pension accounts

Don't think that there should be a general provision to amend pension accounts; if this becomes necessary then regulations can be amended.

Forfeiture and recovery

Nothing to add.

In addition to the standard questions above we would like to raise the following:

1. Regulation 9 - will the regulations be amended to include a definition of annual rate of pensionable pay in the same way that assumed pensionable pay is defined?
2. Regulation 21 – If assessing the annual assumed pay how does this fit with variable pay, zero hours pay and seasonal workers?
3. Regulation 22 (5) where records are held in different funds how is it envisaged these will be identified?
4. Co-habiting partners, we note the intention to take out the requirement to make a nomination however, suggest it would still be useful for members to make a declaration earlier, in the same way as an expression of wish.
5. Is there any intention to change regulations in relation to short-term ill-health?

Yours sincerely

Sally Fox

Sally Fox
Pension Services Manager

Direct line: 01865 797111
Email: pension.services@oxfordshire.gov.uk
www.oxfordshire.gov.uk/pensions

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Annex 2

Scheme Governance Discussion Paper
Department for Communities & Local Government
Zone 5/G6 Eland House
Bressenden Place
London SW1E 5DU

Sent by email to
Philip.perry@communities.gsi.gov.uk

Oxfordshire County Council
Pension Services
Unipart House
Garsington Road
Cowley
Oxford
OX4 2GQ

Sean Collins
Services Manager (Pensions)

Please ask for Sean Collins
e-mail: sean.collins@oxfordshire.gov.uk

Direct Line: 01865 797190
Fax: 01865 783108

My Ref: SJC/aug 13 Your Ref:

29 August 2013

LGPS New Governance Arrangements (Discussion Paper)

I am writing in response to the above discussion paper on behalf of Oxfordshire County council in its role as Administering Authority for the Oxfordshire LGPS Fund. Unfortunately due to the timing of the consultation paper it has not been possible to agree this response with the Pension Fund Committee, although this response will be included as part of their agenda pack for their meeting on 6 September 2013. The views expressed are therefore those of the officers of the Administering Authority.

We have structure this response in line with the 26 questions set out in the Discussion Paper. However question 9 regarding the separation or not of the Scheme Manager and Pension Board is a key question, and the final answer determined here will influence many of the answers to the remaining questions. Our strong view is that the role of the Scheme Manager and Pension Board should be clearly distinct (as set out under question 9 below) and our responses to the remaining questions are largely on that basis.

Q1. What period, after the new governance regulations are on the statute book, should be given for scheme managers/administering authorities to set up and implement local pension boards?

This in part will depend on the answers to subsequent questions in terms of the size, and make up of the Pension Board and the processes for agreeing appropriate representation. However, we do not see any great urgency to set up the Boards given their overall remit. Given that the new Regulations only become effective from 1 April 2014, and that the Pension regulator will not commence their formal role until April 2015, we see no reason for the Board to begin its role to ensure compliance with the Regulations/Pensions Regulator requirements until April 2015 at the earliest.

We would therefore suggest April 2015 as a target date for the setting up and implementation of Pension Boards. (n.b. In the event that the Pension Board is combined with the Scheme Manager role, we would still argue for an April 2015 target date for the setting up and implementation on the new combined body, with the existing governance arrangements remaining in place until that time.

Q2. How long after the new governance regulations are on the statute book should the national scheme advisory board become operational?

In line with our responses below, we believe that the shadow scheme advisory board should simple be established as the new scheme advisory board, and as such can convert formally immediately following the enactment of the regulations.

Q3. Please give details of any such "connected" scheme that you are aware of.
Q4. Are there any scheme connected to the main Local Government Pension Scheme, other than an injury or compensation scheme, that the new Scheme regulations will need to refer to in setting out the responsibilities of scheme managers?

We are not aware of any connected schemes in this respect.

Q5. What "other matters", if any, should we include in the Scheme regulations to add to the role of local pension boards?

One of the key questions is what teeth the Pension Board will have in carrying out its role and in calling the Scheme Manager to account where it has concerns of non-compliance, or whether the Board is restricted to flagging concerns directly to the Secretary of State or Pensions Regulator as appropriate.

On a more general issue, we believe that the Board should be responsible for reviewing the general competence of the scheme manager to fulfil their role and in particular to review the skills and knowledge levels across the Scheme Manager and their advisors. The Board should have the right to seek the removal of individuals charged with undertaking the role of the Scheme Manager where they clearly do not have and are unwilling or unable to require the requisite skills and knowledge.

Q6. Should Scheme regulations make it clear that nobody with a conflict of interest, as defined, may be appointed to or sit on a pension board?

It is difficult to determine in what circumstances any individual would have a conflict of interest in respect of all aspects of the work of a Pension Board, and would therefore need to be excluded from membership. We fully accept that there may well be occasions where individual members of the Board need to declare a specific conflict of interest and absent themselves from the discussion of the item. The circumstances which led to that specific conflict though may on other occasions we beneficial in adding to the skills and knowledge of the Board. We would therefore be against any regulatory provision to exclude membership from the Pension Board, leaving the individual members free to declare an interest on specific issues as appropriate.

Q7. Should Scheme regulations prescribe the type of information that maybe "reasonably required"?

The danger of any prescription on what constitutes information reasonable required in terms of examining a conflict of interest is that it will never be fully comprehensive, creating new arguments about whether requested information is indeed reasonably required. We would therefore prefer this to be left to the discretion Scheme Manager to determine in each individual circumstance.

Q8. Although not required by the Act, should Scheme regulations prescribe a minimum number of employer and employee representatives?

Equally as important as a minimum number would be a maximum number to ensure that the Board both has the skills and knowledge to undertake its role whilst remaining manageable. There is a difficulty of setting both minimum and maximum numbers in isolation from questions about appropriate representation on the Board.

Q9. Should the new Scheme regulations require local pension boards to be a body separate from the statutory committee or for it to be combined as a single body?

We believe strongly that the Pension Board must be established as a separate body from the Scheme Manager. If the basis of the Pension Board is to provide a scrutiny function of the work of the Scheme Manager and assist in securing compliance with the regulations and the requirements of the Pensions Regulator, then it needs to be sufficiently independent. We cannot see any added value to the current arrangements if the two roles are combined into a single body.

Whilst we understand the issue of cost of a new Pension Board, these need to be assessed against the value of introducing the additional level of scrutiny in the management of what are sizeable pension funds. Similar arguments could be applied to reduce the number of Scrutiny Committees in local Councils and Select committees in Parliament with a corresponding reduction in the numbers of Councillors and MPs. If the scrutiny function is deemed at important element of the overall governance arrangements (which we accept it is), then it needs to be appropriately undertaken even if it adds additional cost.

The introduction of the requirement that the Board must have equal numbers of employer and employee representatives creates an issue around the voting rights of the employee representatives. At the present time, an employee of the administering authority cannot sit as a voting member of the Pension Committee. As the administering authority is normally the largest employer in the Fund, it would not be appropriate to exclude their employees from sitting on a combined Scheme Manager/Pension Board. Further legislative changes to allow employees to sit on their own Scheme Manager Committee would therefore be required in the event that the Pensions Board was to be combined with the role of Scheme Manager. There would also need to be further changes to exclude any combined Scheme Manager/Pension Board from the current rules in respect of proportionate representation in line with the political make up of the host Council.

Q10. Apart from what is required under the Act, what other elements of local pension boards should be set out in the new Scheme regulations?
Q11. Apart from what is required under the Act, what other elements of local pension boards should be left to local determination?

We would agree that as far as possible, as much of the detailed workings of the local pension boards should be left for local determination, to enable the Board to reflect local circumstances. We would also argue that given the more fundamental role of the Scheme Manager in determining policy etc, it is not logical to be more prescriptive around the detailed workings of the Pension Board.

The question though is who is responsible locally for making the determination and what is the process for resolving matters of dispute particularly in terms of the size and membership of the Pension Board. Arguably, once the Board itself has been established, it can determine all other matters including frequency etc.

However, it would be useful as to have guidance about who has a right to representation on the Pension Board, and whether representation should be linked to proportion of liabilities in the Fund for example. As the number of Academy schools grows for example, should they have a right to representation on the Board.

The Scheme Manager tends to be dominated by a single employer under the law by which the statutory committees exist. To ensure proper independent challenge it would not be appropriate if the Administering Authority had the right to establish a Pension Board where again they control the majority representation. The regulations therefore should create a responsibility on the Administering Authority to create the Pension Board in accordance with separate guidance (which would aim to ensure full representation) and a mechanism for the resolution of any disputes.

The Scheme regulations should also ensure that the Pension Board has the right to call in decisions made by the Scheme Manager before such decisions are enacted. This could be achieved by a 10 day period before all decisions become actionable, during which a majority of the Pension Board can call the decision in to be reviewed.

Q12. Should the new Scheme regulations prevent any incumbent scheme member representative being moved from a statutory committee to the local pension board (if the committee and the board are not one and the same body)?

We do not believe it is necessary to regulate to ensure the non-removal of scheme member representatives from Scheme Manager Committees. If there is no overall regulation to cover the make-up of the Scheme Manager, and Funds are free to determine membership and voting rights as at present, then it does not appear appropriate to regulate on this single issue only. It would be hoped that having the benefit of a scheme member representative on the Scheme Manager Committee, particularly as a means to reduce the potential number of queries/call in from the Pension Board, will mean that Scheme Managers do not rush to change existing membership arrangements.

Q13. Should the new Scheme regulations include a requirement for each local pension board to publish an annual statement of its work and for this to be sent to the relevant scheme manager, all scheme employers, the scheme advisory board and the Pension Regulator?

This would appear to us to be a reasonable requirement on the Board. The report should also be available on request to scheme members.

Q14. Apart from the training and qualification criteria that may be covered by the Pension Regulator in a code of practice, are there any specific issues that we should aim to cover in the new Scheme regulations as well?

We have not identified any further issues that need to be covered in the regulations. We would expect the Code of Practice to be sufficiently comprehensive, and for the Regulator to be provided with sufficient teeth to address issues of non-compliance.

Q15. Should Scheme regulations simply replicate the wording of the Act? If not, what specific areas of work should the new Scheme regulations prescribe?
Q16. Should Scheme regulations include a general provision enabling the scheme advisory board to advise the Secretary of State on the desirability of changes to the Scheme as and when deemed necessary?
Q17. Are there any specific areas of advice that Scheme regulations should prohibit the scheme advisory board from giving?

We believe that the wording of the Regulations should be open to enable the scheme advisory board to consider and advise on all matters that they deem relevant to the on-going sustainability and affordability of the Scheme.

The Secretary of State will always retain the discretion as to whether he needs to act on any advice received, so we see no benefit in seeking to identify any areas which the scheme advisory board should be prohibited from covering.

Q18. What options (if any other, please describe) would be your preference for establishing membership of the scheme advisory board?

We would support the option of carrying forward membership from the shadow scheme advisory board, to enable a consistency of service and to ensure the swift transition following the enactment of the new Scheme regulations.

Q19. Should Scheme regulations require the Secretary of State to approve any recommendation made for the position of Chair?

No – the independence of the Chair should be protected by excluding the Secretary of State from any role in their appointment.

Q20. Should Scheme regulations prescribe tenure of office? If so, what should the maximum period of office be and should this also apply to the Chair of the board?

We believe it is reasonable to prescribe tenure of office to ensure that there is the opportunity for the regular injection of new independent thinking. Whilst not fixed on any specific period of office, we would offer a maximum of 2 terms of 4 years each as a starting point for further discussion.

Q21 Should Scheme Regulations make provision for board members, including the Chair, to be removed in prescribed circumstances, for example, for failing to attend a minimum number of meetings per annum? If so, who should be responsible for removing members and in what circumstances (other than where a conflict of interest has arisen) should removal be sought?

We believe that given the importance of the role of the Board, it is appropriate that board members should be removed if they are not fulfilling their responsibilities. In particular, we believe that any board member who fails to attend 3 meetings in a row, or fails to complete any identified knowledge and skills training should lose their seat.

If stipulated in the regulations, or in the Terms of Reference for the Board, then removal of a board member should be a simply administrative matter, and can be handled by the secretariat for the Board.

Q22. Should the Scheme regulations prescribe a minimum number of meetings in each year? If so, how many?

We are not sure that this is a matter for the Regulations, and the Board should be able to determine the number of meetings based on the business it needs to determine.

Q23. Should Scheme regulations prescribe the number of attendees for the board to be quorate? If so, how many or what percentage of the board's membership should be required to be in attendance?

We believe that board members should understand the responsibility that comes with the role, and should be prepared to commit to attending board meetings. Recognising there will always be exceptional circumstances which may prevent a member attending every meeting, we believe it is reasonable for a quorum of 75% of board members to be prescribed in the regulations.

Q24. Rather than make specific provision in Scheme regulations, should the matters discussed in Q19 to Q23 be left as matters for the scheme advisory board itself to consider and determine?

Answers included in specific questions above.

Q25. Should the scheme advisory board be funded by a voluntary subscription or mandatory levy on all Scheme pension fund authorities?

As the board has been set up to advise the Secretary of State, we would have expected it to have been funded as part of the mechanisms of government. Failing that, we would argue for a mandatory levy on all Scheme pension fund authorities.

There should be no right to opt out of making a subscription given the nature of the role should be to the benefit of all Funds.

Q26. What would your preferred manner of legal constitution of the scheme advisory board and how should Scheme regulations deal with the issue of personal liability protection for board members?

We have no view on the preferred manner of legal constitution. The members of the board should be fully indemnified against personal liability claims, except in the case where they have acted negligently. The legal constitution therefore needs to be such as to enable claims to be made against a corporate body, and for appropriate insurance arrangements to be put in place.

We hope that the above answers are helpful in determining the shape of the final regulations.

Yours sincerely

Sean Collins
Services Manager (Pensions)

Sent by email to Victoria Edwards at:

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My Ref: SJC/September 13 Your Ref:

29 August 2013

Dear Victoria

Call for Evidence on the Future Structure of the Local Government Pension Scheme

This submission is in response to the recent call for evidence sent out by the Department for Communities & Local Government and the Local Government Association. The submission is on behalf of the Oxfordshire Pension Fund Committee who agreed the response at their meeting on 6 September 2013.

We have tailored the submission to fit in line with the five questions addressed in the call for evidence document, and have answered the questions in the order presented.

Q1. How can the Local Government Pension Scheme best achieve a high level of accountability to local taxpayers and other interested parties – including through the availability of transparent and comparable data on costs and income – while adapting to become more efficient and to promote stronger investment performance?

In the current discussions on the future governance arrangements for the LGPS, there has been a lot said about the importance of retaining the democratic accountability provided by having local Pension Fund Committees comprising of locally elected Councillors. The argument is that where the Pension Committee makes decisions which lead to an increase in employer contributions and hence Council Tax, they will be answerable to their community through the next election.

Whilst the importance of the locally elected Councillors on the current Pension Committees should not be under-estimated, we do not believe that a locally elected Committee should be a key issue in the debate, and indeed may potentially hinder the move to more efficient delivery models.

Our position is based on a number of factors. Firstly, outside of London, there are significant parts of local government who do not have a voice on their local Pension Committee, even though the Pension Committee is responsible for decisions which impact on their level of Council Tax. In Oxfordshire, the Pension Committee has representatives from just two of the five District Councils. Similarly, Oxford Brookes University, the second largest employer in the Fund has no representation.

Secondly, the relationship between the decisions on the Pension Committee and the levels of local council tax are complex and not suitable to be simply judged as part of an election every four years, when many other local issues will be at the forefront of the political agenda. The costs of the LGPS are only in part determined by local decisions in respect of investment allocations. The main driver of costs is the level of pension fund liabilities which are determined under National Regulations controlled by DCLG. Any arrangement for ensuring accountability needs to ensure that those responsible for the key decisions are those held accountable, distinguishing between nationally and locally determined and elements.

Thirdly, the risk of promoting accountability around locally elected Committees creates the potential risk that decisions are taken for short term benefit and/or to promote the local economy, rather than for the long term interests of the beneficiaries of the Pension Fund.

The current arrangements for promoting accountability should remain as the basis going forward, focussing on the publication of key documents and performance data (to be further developed and improved as covered below) as well as the requirement to consult with key stakeholders before introducing significant changes to key policy documents (including the Funding Strategy Statement). By providing information about the performance of the Fund in a standard form, all stakeholders will be better placed to call the Scheme Manager to account, but in particular will allow the new Pension Boards to fulfil their role.

Key to promoting local accountability therefore will be the development of standardised key performance data, and the development of the new Pension Boards with appropriate representation from all key stakeholders, and the power to intervene when performance falls short.

Q2. Are the high level objectives listed above those we should be focussing on and why? If not, what objectives should be the focus of reform and why? How should success against these objectives be measured?

We do not believe the current split of two high level objectives covering investment returns and fund deficits, and the further six secondary objectives are the right way forward. The efficiency and effectiveness of the performance of a Pension Fund needs to measured against its key objective which is the long term timely and accurate payment of pensions, whilst maintaining as near stable employer contribution rate as possible and managing the attendant risks.

The importance of increased investment returns and closing fund deficits will vary depending on the maturity of the Fund and the appropriate level of risk. For example, in a mature fund with negative cash flow, seeking improved investment returns is likely to create an inappropriate level of risk to the Fund and the stability of employer contribution rates. However where the fund is immature with a healthy positive cash flow, a longer term view can be taken on reducing any deficit allowing an increased level of risk and targeting improved investment returns.

It is also true that the high level and secondary objectives are inter-related, and as such it would not be appropriate to focus on one objective at the expense of another. In particular, investment returns and investment fees will tend to be correlated. Placing investment returns as a higher level objective would suggest that in seeking increased return the cost of achieving this return is secondary, rather than ensuring any increased return is at a reasonable cost.

High level objectives therefore need to be more broadly set and as discussed below under question 5, there is a need to take a more balanced scorecard approach to individual performance areas. The high level objectives need to focus on the timely and accurate payment of pensions and near stable employer contribution rates, taking into account the local circumstances of each Fund. Measurement of the former will in part be subjective and rely on customer feedback.

Q3. What options for reform would best meet the high level objectives and why?

Given the fact that the circumstances facing each Fund will vary, it is likely that the options for reform will also need to vary, rather than identifying a single option to provide the best fit for all. The local options going forward will also need to build on the many local initiatives already in place, including procurement frameworks, shared administration centres, collective investment vehicles etc.

In Oxfordshire, we believe that the best way forward for our Fund is to explore a full merger with the neighbouring funds, starting initially with Buckinghamshire and Berkshire. Whilst our assumptions have not yet been fully tested through the development of a full business case, it felt that a merged fund provides greater potential to

- negotiate reduced investment management fees (or indeed to switch some fund management to an in-house team),
- take advantage of alternative investment strategies limited to larger funds as a consequence of the need for greater investment expertise to explore and develop the opportunities and the size of investment required to be effective,
- develop more sophisticated investment strategies to allow for the variation in funding position of employers within the Fund, and
- provide more cost effective services to employers and scheme members by reducing duplication across the funds, and creating greater resilience in key staff areas.

Whilst some of these benefits may be achievable through the development of super pools, collective investment vehicles and procurement frameworks, it is the view here in Oxfordshire is that such options would not maximise the benefits in our case. From our discussions with Buckinghamshire and Berkshire, and with our current Fund Managers it is clear that retaining separate investment strategies under the control of local committees, and requiring the Fund Manager to report separately back to each Committee does not offer up any real economies of scale compared to the current arrangements. Where the individual Committees retain the right to withdraw from individual investments the risk of diversifying into new alternative investment strategies which require an investment of a reasonable scale remains.

At the present time though it is not known the costs of developing the statutory measures necessary to merge the funds and undertaking the full transition, so it is unclear whether the costs of completing the merger will be justified by the perceived benefits.

Whether Oxfordshire proceeds with the merger, it is not clear that the model would be appropriate across all Funds. At the present time there is no clear evidence as to what size Fund is likely to be the most effective. As Funds become larger, the level of risk grows both in terms of reduced competition as fund managers are driven out of the market, particularly smaller specialist managers, and the extent that a single fund can impact the financial markets through their investment decisions.

We would therefore argue that further evidence needs to be collected on the costs and benefits of all the current collaboration options. Each Fund would then need to assess the suitability of each option against their circumstances to determine the model which best meets their objectives.

Q4. To what extent would the options you have proposed under question 3 meet any or all of the secondary objectives? Are there any other secondary objectives that should be included and why?

As noted above, we do not believe that the proposed split of higher level and secondary objectives is appropriate given the inter-relationship between the objectives and the need to take into account the local circumstances each Fund is facing. Developing a greater evidence base of the costs and benefits of the various collaboration models should enable all Funds to assess their position to best meet the broader range of objectives they face.

We would agree that the high level and secondary objectives included in the discussion paper all have a place in developing a more efficient and cost effective model, with the exception of the objective to provide for greater investment in infrastructure. Increasing investment in infrastructure may well be an appropriate objective for the national economy, and one against which individual local Council's should be measured in their role of promoting local economic development. However investment decisions for each pension fund should be made on the basis of the Fund's Statement of Investment Principles and Funding Strategy Statement and reflect the key objective of ensuring timely and accurate pension payments whilst ensuring as near stable contribution rates as possible. Whether investment in infrastructure provides the right vehicle will clearly depend on the nature of the vehicle itself, current funding levels, cashflow etc. For some Funds, increasing investment in infrastructure will not be appropriate, and therefore this should not be identified as an objective against which any reforms are judged.

Q5. What data is required in order to better assess the current position of the Local Government Pension Scheme, the individual Scheme fund authorities and the options proposed under this call for evidence? How could such data be best produced, collated and analysed?

We fully support the need for a standardised data set to be developed to allow for the appropriate performance management of the LGPS and its individual funds. As stated above, we believe this requires a balanced scorecard approach, rather than placing undue emphasis on a few factors. In particular, the assessment should be against the key objective of the timely and accurate payment of pension liabilities whilst maintaining as near stable employer contribution rates as possible, and managing the attendant risks.

We believe data on the following need to be included in any balanced scorecard:

- Funding Level. Key factor in determining how well placed the fund is to meet its liabilities in the long term and the level of risk it should be taking (and therefore the likely level of investment returns). Key is to ensure all Actuaries are consistent in their calculations – previous experience has suggested that the approach of the Actuary can have a direct impact on the funding level, with some producing more optimistic figures than others. It would be useful to also include the standard recovery period against any funding deficit as this indicates a level of risk the Fund is prepared to accept.
- Cash Flow Forecasts. Again key factor in determining the level of risk a fund should be taking, and the extent that the fund can seek to increase investment return. Key here is to see trends both in recent past, and assumed going forward.
- Investment Performance. This data needs to include investment returns, investment costs and information on risk levels given the inter-relation between the three. Given the difficulties of separately reporting fees on pooled funds, and the need to protect the commercial sensitivity around fund manager fees, it may be a requirement for investment returns and costs to be quoted as a single net figure. Data should be provided as a minimum over a three year period.
- Administration Costs. Whilst less significant than investment costs, the level of administration costs can be a significant factor in determining the timeliness and accuracy of pension payments. Clear definitions of costs need to be agreed to ensure figures provided on a like for like basis, ensuring all costs incurred by the host Council including payroll, property, ICT support etc. are properly included.
- Fund Membership Profile. Any analysis of administration costs needs to be in the context of the profile of Fund Membership including numbers and types of employers, the split between active, deferred and pensioner members, the split between part time and full time active members, the percentage of active members with multiple employments etc, all of which will directly impact level of costs.
- Customer Satisfaction Scores. Whilst the accurate payment of pensions is a key responsibility of the Pension Fund, it is difficult to measure as most members are not in a position to check on the accuracy of their payment. Any measure in this area is therefore likely to be the most subjective to collect and compare, but difficult to leave out when ultimately paying pensions to scheme members is what the Funds exist for. Numbers of IDRP/Ombudsman complaints (split between those upheld and those dismissed) may act as a proxy in the absence of agreement on a standardised approach to collect such data.
- Performance against Standard Timeframes. Measurement of the timeliness of pension payments is more objective and performance should be reported against agreed standard timeframes (often 10 days from receipt of request). Performance measures should include percentage of requests met within the standard timeframe for payment of pensions and death grants, and the provision of data for pension estimates, transfers in and out and pension sharing orders.
- Standard Contribution Rates. As a key element of the overall objective of the Fund is to maintain as near stable employer contribution rates as possible, data does need to

be collected on the standard employer contribution rate for each Fund over a period to cover a minimum of three valuations.

- Compliance against Regulations etc. No assessment of performance would be complete without some form of assurance that the Fund is being run in accordance with relevant regulations etc. Any issues raised by the external Auditor, or going forward, by the Pensions Regulator, therefore needs to be recorded alongside the rest of the performance data.

We would suggest that this data should be included by each Fund as part of their Annual Report and Accounts, and the information made available through a standard electronic return to either DCLG or the LGA to be published through the internet. Information would therefore be available to be analysed by the Funds themselves, Pension Boards, and the Scheme Advisory Board amongst others.

We would not expect the data to be converted to league tables bearing in mind our previous comments that the performance of the Fund needs to be seen in the context of local circumstances, and the complex inter-relationship between the many issues.

At this time, we do not believe there is any significant amount of objective evidence on which to base significant proposals to change the structure of the LPGS, nor to support our position as outlined above. We would therefore be concerned about a rush to a further consultation in the Autumn. We would rather see some work undertaken to develop and collect the data identified in are response to Question 5 above, allowing more meaningful analysis of the current and planned collaborations. We would prefer a future based on voluntary decisions taken by local funds, based on clear objective evidence of the cost/benefits of the various potential models going forward, and the local circumstances facing each Fund.

We therefore hope these comments are helpful in planning for the longer term changes to ensure the on-going sustainability of an efficient and cost effective LGPS.

Yours sincerely

Sean Collins
Services Manager (Pensions)

PENSION FUND COMMITTEE – 6 SEPTEMBER 2013

WRITE OFF's

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. In December 2012 a change was made to the Scheme of Financial Delegations to allow write offs under £500, chargeable to the Pension Fund, to be approved by the Pension Services Manager. (Under the Scheme of Financial Delegation, such write offs need to be reported to this Committee for information).

2. For debts between £500 and £7,500 approval is required by the Service Manager (Pensions) and the Deputy Chief Financial Officer. For debts between £7,500 and £10,000 chargeable to the Pension Fund, approval would need to be sought from the Assistant Chief Executive and Chief Finance Officer. These write offs will also need to be reported to this Committee for information.

3. Debts in excess of £10,000 would require approval of Pension Fund Committee

Current Cases

4. The Pension Services Manager has approved the write off of £27.15 chargeable to the pension fund in respect of two cases.

5. In both these cases the member had died resulting in a small over payment of pension, which could not be recovered. The amounts were £15.91 and £11.24.

RECOMMENDATION

6. **The Pension Fund Committee is RECOMMENDED to note this report**

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers: None
Contact Officer: Sally Fox, Pension Services Manager, Tel: (01865) 797111

August 2013

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